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Near East/South Asia Report

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'REVOLUTION DAY' FOREIGN GUESTS VISIT PRELACY

Tehran ALIK in Armenian 12 Feb 87 pp 1, 4

[Text] On Tuesday, 10 February at 8:30 pm on the anniversary of the Islamic Revolution, a meeting took place between foreign guests and the relatives of the martyrs of the Iranian religious minorities. It was sponsored jointly by the Institute for the affairs of religious minorities within the Islamic leadership and the Armenian section set up for the Dahe Fajr and the 22 Bahman celebrations. It was organized by the Council of the Armenian Diocese of Tehran where the ceremony took place.

The visitors included Mrs Sadiq al-Mahdi wife of the prime minister of Sudan and representatives from Kenya, Uganda, Sudan, Nigeria, India, Lebanon, Nicaragua and other countries, as well as delegates from the Islamic Majlis Mrs Raja'i, Messrs Vartan Vartanian, Ardavazd Baghumian and other civil servants.

The ceremony was opened by Mr Aramais Nersessian, vice-chairman of the Diocesan Council of the Armenians of Tehran. He welcomed the guests and invited Mr Haj Mahmudi, responsible for the affairs of religious minorities within the Islamic leadership, to address the assembly.

In his brief speech, Mr Haj Mahmudi apologized to the relatives of the martyrs for being late and went on to say that "one of the blessings of the Islamic revolution was the solidarity between the followers of different religions. The Islamic revolution was a proof of that spirit. We have invited the families of the martyrs so that our foreign guests may make their voices heard throughout the world. We are hopeful, he added, that our dear guests will transmit the message of our minorities."

Then His Grace Archbishop Artak Manukian, Prelate of the Armenian Diocese of Tehran welcomed the guests and those present, and added the "Christian, Zoroastrian and Mosaic communities pursue their beliefs and their prayers, their devotion to God is high under the patronage of the Iranian Islamic Republic and of Islam." Referring to the Armenians of Iran, His Grace pointed out that the Armenians have been living in Iran for ages and that today they number more than 200,000. At the end of his speech, he wished longevity to Imam Khomeyni, leader of the Revolution and founder of the Iranian Islamic Republic. Mr Vartan Vartanian, Parliamentary delegate of the Armenians of Northern Iran translated

the words of his Grace into Iranian and English (We shall give the entire text of the speech at a later date).

He was followed by the religious leaders of the Zoroastrians, the Jews and the Assyrians.

The Archimage of the Zoroastrians said that as the father of a martyr and as the Imam of the Zoroastrians and the Farsies, I congratulate the people, the families of the martyrs and our honored guests on the 8th anniversary of the Islamic revolution. He referred to the past of the Zoroastrians following the defeat of the Sassanians and then he spoke of the present state stressing the help given by the Zoroastrians to the imposed war. He mentioned that the state had sanctioned the instruction of Zoroastrian religion in the community and said that the expansion of their traditional music and songs were some of the benefits of the Islamic revolution.

Following him, the religious leader of the Jews congratulated the feast of Dah-e Fajr, conveyed his respects to the memory of the martyrs, wished good health and glory to the Imam, to the leaders and wished victory to the country and its doctrine. Speaking of the contribution of the Jews to the imposed war, he said "it is perfectly possible to remain a devout and practicing Jew in Iran, observe the Sabbath and other feasts, and not become a terrorist or a racist."

Then it was the turn of the representative of the Assyrian community in Iran. He thanked all those in positions of responsibility who had organized the celebration and had rendered audible the voice of the Iranian minorities. He said that the Assyrians had a history of 3,000 years in Iran, adding that "we are proud our youth are fighting in the war of the just against the unjust and defending the honor of the Iranian people." He ended by stating that their religious leaders could not attend the ceremonies because that was the day Assyrians honored the memory of their own martyrs. Passages of the speeches of the minority religious leaders were then translated into Arabic.

He was followed by Mr Vrej Torosian, member of the Armenian Diocesan Council who spoke in English in the name of the Council and asked the audience to observe one minute's silence to honor the memory of all martyrs.

Next, the Nicaraguan priest Father Molina was invited to speak. He said that though his country was thousands of miles away, he felt very close to them. He then added that the Nicaraguans had had 50,000 martyrs in the victorious fight against the Samosa regime in 1979. "Every one feels that the fortunes of our country are changing for the better" he said, adding "but after the victory of the revolution, the counterrevolutionaries began waging war on us from neighboring Honduras. The worst of it is that these counterrevolutionaries enjoy the patronage of the American President Reagan and of the U.S. Senate. To emerge victorious from this war our people is relying on its faith and on its moral values." He ended by conveying to all the greetings of his people.

The audience was treated to refreshments and cookies. Finally the guests attended a service at the Saint Sarkis church and listened to the chants "Holy Holy" and the Lord's Prayer, sung by the choir. The ceremonies ended at 10:30 pm.

PRELATE VISITS MUSLIM CEMETERY, MOSQUE, OFFERS PRAYERS

Tehran ALIK in Armenian 3 Feb 87 p 1

[Text] On Sunday morning, 1 February, His Grace Artak Archbishop Manukian, Prelate of the Armenian Diocese of Tehran paid a visit to the cemetery at Behesht Zahra in Tehran in response to a prior invitation and in celebration of the anniversary of the return to the fatherland of Imam Khomeyni, leader of the Islamic Revolution. It was a visit to celebrate also the first day of Dah-e Fajr (Dawn of 10 Days) of the Islamic Revolution, as well as to honor the memory of the martyrs. The occasion was marked by the gift of the memory of a gilded chandelier given by Mr Khachik Hovsepian. His Grace the Prelate was accompanied by Messrs Vartan Vartanian, parliamentary delegate of the Armenians of northern Iran, Aramais Nerssessian, vice chairman of the Communal Council of the Armenians of Tehran, Yeghishe Galsdian, member of the same council, Iskandar Iskandarian and Soghomon Barseghian, both members of the Armenian section for the commemoration of the Islamic revolution's eighth anniversary and in support of the war imposed on Iran. Also present were the donor of the chandelier Mr Khachik Hovsepian and the correspondent of ALIK.

In Behesht Zahra, His Grace and those accompanying him received a warm and sincere welcome by the Governor of Tehran Mr Habibi and by the officials responsible for the cemetery. The governor praised the Armenians of Iran for their unreserved participation in the country's progress and stressed in particular their important contribution to the front lines in this imposed war. His Grace first thanked for being invited to this commemoration and then spoke of the participation of the Armenians in the Islamic revolution in Iran and of their assistance to the war effort. He ended by stressing that thanks to the energy and attention of the governor, serious care is being taken now to keep the city's streets clean.

Mr Habibi agreed with this comment, adding that out of respect for Armenian martyrs, a few streets have been named after them. His Grace expressed the hope that the streets of Armenian neighborhoods would be given the names of Armenian martyrs.

Following that, the Armenian delegation, accompanied by the aforesaid government officials and Islamic clergy paid a visit to the tomb of Ayatollah

Dr Beheshti and to the tombs of all those others martyred on 28 June. They also visited the tombs of the martyred President of the Republic Mohammad 'Ali Raja'i and the Prime Minister Hojjat ol-Eslam Bahonar. This Grace prayed on their tombs.

Next, the Armenian delegates, accompanied by Mr Tabrizi, the other officials of Behesht Zahra and the Islamic clergy visited the mosque of the cemetery where the huge chandelier hangs which was donated in memory of the martyred soldiers. In his speech at the mosque, His Grace said that the purpose of offering the chandelier was to strengthen the feelings of brotherhood between the Armenians and the Muslims which go back several centuries.

Mr Tabrizi said that the Armenians, besides helping in the progress of the country, were also participating with total devotion in the fighting at the fronts. There was absolutely no discrimination on the battlefield, especially in the respect shown to martyrs.

Finally, the Prelate of the Armenians of Tehran wished success to the brave soldiers and the Iranian people in this war imposed on them and thanked them for the warm welcome shown to him.

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COLUMNIST VIEWS NATURE OF U.S.-ISRAELI RELATIONS

JN061956 Cairo AL-JUMHURIYAH in Arabic 4 Mar 87 p 12

["From the Heart" column by Muhsin Muhammad]

[Text] During the coming few weeks, the Arab world will know the truth concerning the nature of the U.S.-Israeli relations. The Arabs will then know that these relations were not affected at all by the differences between Israeli Prime Minister Yitzhaq Shamir and U.S. Secretary of State George Shultz on an international conference--a notion rejected by Shamir--to resolve the Middle East conflict.

These relations were neither affected by Israel's role in the U.S. arms sales to Iran nor by the espionage activities of Pollard, who was spying for Israel. The strength of the special relations binding Israel to the United States will manifest itself when the U.S. Government submits a proposal to Congress requesting its approval of U.S. arms sales to both Jordan and the Kingdom of Saudi Arabia.

To minimize the effects of the arms deal with Iran, the U.S. Government found it feasible to try to sell mobile antiaircraft Hawk missiles and F-5 and F-15 planes to Jordan--the arms package which the U.S. Government tried in the past to sell to Jordan. The offer was later withdrawn after it was submitted to Congress for fear that the proposal would be rejected. The U.S. Government will also ask Congress to approve the sale of helicopters and antiradar devices.

During his latest visit to Washington, Yitzhaq Shamir voiced his objection to the proposed deal and said that these arms are offensive weapons that jeopardize Israel's security. He also requested that Israel be given veto rights over U.S. arms sales to the Arabs. In light of the U.S. stand on the aforementioned arms sales, the Arabs will know what should be taken for granted: that relations between Washington and Tel Aviv will remain at their best despite the apparent and publicized differences.

Israeli officials termed Shamir's visit to Washington a pilgrimage and said that in the past 20 years the Israeli prime ministers have made the trip to Washington an annual habit designed, as Golda Me'ir once said, to purchase arms. An added task of Shamir's mission was what he termed mending the relations which may have turned sour.

The United States has stated that it will give Israel the privileges accorded to non-NATO allies such as South Korea, Japan, and Australia.

The basic difference between the two countries is that Israel views all bilateral issues from a perspective that takes only Israel's security into account, while the United States views the Middle East as a part of U.S. interests in the world.

Despite all this, a U.S. official said after Shamir's return to Tel Aviv that former U.S. President Carter used to view Israel as part of the Middle East conflict, while President Ronald Reagan believes that Israel can never be mistaken.

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CSO: 4500/71

AL-JUMHURIYAH VIEWS SYRIAN ENTRY INTO LEBANON

JN031639 Cairo AL-JUMHURIYAH in Arabic 1 Mar 87 p 6

[Editorial: "Syria in the Lebanese Quagmire"]

[Text] The declared objective of the Syrian forces' entry into Lebanon under the guise of deterrent forces a few years ago was to put an end to the Lebanese civil war. Despite the elapse of many years, the Lebanese war is still raging. Its areas and forms also expanded according to the multiplicity of armed militias and different affiliations until it reached the camps where the pro-Syrian militias perpetrated atrocities exceeding those committed by the Nazis during the World War II. The main weapon used by the Amal militias became that of death and starvation.

Recently, they announced that the Syrian forces entered West Beirut to disengage the past allies who differed among themselves, carried arms, embarked on destruction, and started an additional war in a country weakened by its wounds, killing hundreds of people.

Syria was expected to use its influence to lift the siege on the Palestinian camps which are living in miserable conditions that are disgraceful to humanity. However, what happened is that Syria again revealed its real ambitions. It did not only implicitly bless the siege on the camps, but also killed several Palestinians in its way as Ghazi Kan'an, al-Asad's man in Beirut, admitted. Syria did this while reiterating its claims that the Palestinians are the root of all evil and that everything will calm down and return to normal once Yasir 'Arafat is expelled from the PLO's chairmanship. This happens at a time when the Syrians' feet are punging deeper into the Lebanese quagmire. The danger lies in the fact that all sides are paying the price of the Syrian adventure and there can be no solution unless all take their hands off wounded Lebanon.

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CSO: 4500/71

SYRIAN ROLE IN LEBANON 'BIASED, NOT NEUTRAL'

JN031912 Cairo AL-AHRAM in Arabic 1 Mar 87 p 7

[Editorial: "A Return to the Quagmire"]

[Text] The Syrian forces have entered Beirut and deployed there in their field uniforms and with their military equipment. They have entered into a real war, not an imaginary maneuver. The enemy to be curbed is these forces' allies from the various warring parties and factions. As this Syrian move is against the nature of things, the coming days will witness endless paradoxes that will arouse pity for both the warring factions and those who came to fight them. The first of these paradoxes occurred when the Hizballah demonstrators chanted slogans against the butchers of Hama, thereby exposing what al-Asad's regime has tried to conceal for 5 years. This, in itself, is a lesson for every dictator because fate does not forget to inflict punishment on every dictator for what he committed against his people in the past.

As soon as the Syrian forces entered Beirut, they faced humiliation and disgrace at the hands of those who had been considered allies, or at least good friends. This fact confirms the fragility of party alliances in Lebanon, as well as the possibility for these alliances to end under certain circumstances, because they are originally based on weak, artificial bases and because each faction is suspicious of the others and tries to humiliate them. This calculation which is intended to maintain the balance of power and prevent treacherous actions may turn into a weapon upsetting this balance and causing treachery because it is also based on the calculation of mistakes rather than on cooperation for the sake of the public interest in times of crises.

We can tell the Syrian forces that they will repent for a long time in the Lebanese quagmire, simply because they came to play the role of a biased, not a neutral, policeman. If we assume, as some people do, that the Syrian presence in Lebanon is necessary for old and new reasons, no one can deny that the Syrian intervention should be in the Lebanese, rather than the Syrian interest. What Syria has done in Lebanon, as well as Syria's massacres and collusion with Israel against Lebanon, disqualify it as a force which can play a neutral role.

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CSO: 4500/71

EGYPT

AL-AHRAM ON PRESENCE OF SYRIAN FORCES IN LEBANON

NC041026 Cairo MENA in Arabic 2250 GMT 3 Mar 87

[Text] Cairo, 3 Mar (MENA)--The AL-AHRAM newspaper has speculated that the residents of Palestinian camps in Lebanon, who suffer from a lack of security, will witness drastic changes in the coming days as a result of the Syrian forces who have entered Beirut to maintain peace.

In an editorial to be published in its Wednesday edition, the paper notes: The Palestinians refuse to leave [the camps] despite all warnings; they refuse to die despite the continuous killing; and they refuse to lay down their arms despite the concentration of forces confronting them. Their unique ability to rise up and return after a disappearance with their hands waving victory signs only provokes the anger of those who are used to giving orders and being obeyed. The paper adds: We are of the opinion that this scheme intends for the Shi'ite Amal Movement, with direct field support from the forces of Hafiz al-Asad, to intervene in the camps of southern Lebanon. They will then either attack these camps ferociously or leave this job for the spurious forces to carry out, as happened at the Sabra and Shatila camps where a massacre took place with the Israelis either watching or taking part.

The paper concludes: The Syrian forces will remain in Lebanon [words indistinct] and carry out monstrous attacks against the camps. The presence of Palestinians in Lebanon is rejected by the Syrians. [words indistinct] In this manner will provoke rigorous feelings on the part of al-Asad's troops.

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CSO: 4500/71

ISRAELI RADIO INTERVIEWS MUSTAFA KHALIL ON CONFERENCE

JN040906 Jerusalem in Arabic to the Arab World 1530 GMT 3 Mar 87

[Interview with Mustafa Khalil, "official in charge of external liaison in Egypt's NDP by Eldad (Vard) carried within the "With The Events" program; date, place not given--live or recorded]

[Text] [Khalil] Undoubtedly the call for the convening of an international conference in 1987 is a call [sentence incomplete]--I believe Egypt is sincere and good intentioned in its attempt to activate the peace process. With regard to contacts with the parties concerned, of course the basic parties to the dispute at present are the Palestinians and Jordan. Naturally agreement between these parties and Israel is necessary for convening the international conference. Egypt's role is to eliminate any difficulties that may arise from such contacts. Egypt is prepared to carry out its role in this regard.

[(Vard)] Dr Mustafa Khalil, there is a political crisis in Israel. The question is does Egypt play a role in the conflict, for we see there are intensive contacts with Mr Peres but not with Mr Shamir?

[Khalil] Egypt absolutely has no connection with the international conflict in Israel. We do not built our policy here on the basis of such conflicts, for such a view is short-sighted. Our relations with Israel are with the Israeli Government. When Shim'on Peres came to Alexandria and made his statement on accepting the principle of an international conference, he made the statement in his capacity as prime minister and not in his personal capacity or in his capacity as Labor Party leader. Also when Mr Shim'on Peres visited Egypt recently he visited it in his capacity as vice premier and foreign minister. Egypt does not hold talks with any party within the Israeli Government coalition in their personal capacity, but holds such contacts with persons in their official capacity--that is when it holds contacts with Mr Shim'on Peres it is in his capacity as prime minister or foreign minister. Consequently, the statements made by Mr Shim'on Peres in Alexandria and recently in Cairo are official statements by an Israeli official, and Egypt views them as such and does not view such statements as reflecting the personal stand of Peres, or that there are differences between him and Mr Shamir for that does not concern us at all.

[(Vard)] What is Egypt's stand on the idea proposed by Shamir in the United States, namely that a mini-conference be held without the Soviet Union and the permanent member states of the security council?

[Khalil] Egypt's stand was made clear in the joint communique that was issued, both in Alexandria and in Cairo, namely that at present Egypt favors holding negotiations under the canopy of an international conference. The idea requires concentration and requires preparation. Shamir's idea conflicts with what Mr Shim'on Peres had committed himself to in Alexandria in his capacity as prime minister. Such a conflict does not concern us; it is an internal Israeli difference. We have nothing to do with such differences.

[(Vard)] With regard to the international conference, do you see any hope for Syria joining such a conference? Syria is now deploying forces in West Beirut. Is there any hope in pushing the peace process and in expanding it to include other parties?

[Khalil] I cannot speak on Syria's behalf. It is Syrian officials who can speak on Syria's behalf. However, I believe that giving impetus to the process of comprehensive peace in the region is of interest to Egypt and I do not believe it does not interest Israel. On the contrary, I believe there is a commitment and a pledge to push forward the peace process. Egypt says it is seeking to establish a comprehensive and lasting peace in the region on a just and equitable basis, and when matters mature and the stands become clear then the stand of Syria or Lebanon will become clear in the future. However, at present I cannot judge their stands on the international conference or the peace process in the future.

[(Vard)] Dr Mustafa Khalil, many thanks.

[Khalil] Thank you.

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CSO: 4500/71

MUBARAK'S ASSEMBLY REFERENDUM SEEN ON STRONG GROUND

Cairo ROSE AL-YUSUF in Arabic 9 Feb 87 p 7

[Commentary by Mahmud al-Tuhami: "Mubarak Wins"]

[Text] The people received President Mubarak's call for a referendum on dissolving the People's Assembly with great satisfaction which we expect will be manifested in voter turnout at the polls next Thursday, 12 February.

The people's satisfaction, in my opinion, is not due merely to the idea of dissolving the People's Assembly, as some like to say, but is attributable to the citizens' sense of President Mubarak's strong desire to respect constitutional legitimacy, something that reassures people about their security, their future and their children's future.

President Mubarak's quick response to the public conscience that was perturbed by the suspected unconstitutionality of some laws, under which the 1984 People's Assembly elections were held, is clear proof of President Mubarak's commitment to the people and his sensitivity to their daily and future life.

When the People's Assembly passed the election law amendment to deal with the constitutional gaps that marred it, an amendment that took the form of additional benefits giving a greater opportunity for partisan or independent nominations as well as a greater opportunity for voters to choose their representatives, the president felt that the rules of political expediency dictated the refashioning of the legislative establishment in accordance with the new law so as to reassure the public conscience of the absence of any constitutional dubiousness marring the work of the legislative assembly in the upcoming phase.

This choice by President Mubarak is viewed as a true victory for constitutional life in general because it is one that precludes dubiousness at a time when most jurisprudence opinions on constitutional law saw that the present assembly is not marred by unconstitutionality.

However, concern and deep respect for legitimacy and the desire to give the parties a new opportunity to exercise their political role were reason enough to submit the assembly's dissolution to a public referendum.

Mubarak has won by choosing to emphasize legitimacy.

The people will also win by turning out next Thursday at the referendum polls to say their word in support of legitimacy and of the president who is intent on safeguarding the people's interests.

BRIEFS

JOURNALIST ASSOCIATION ELECTIONS--Cairo, 6 Mar (MENA)--Ibrahim Nafi' was re-elected head of the Egyptian Journalists Association in elections held today in Cairo. Nafi' received 1,043 votes; Jalal-al-Din al-Hamamsi 309 votes; and Mahmud al-Muraghi 292 votes. [Summary] [Cairo MENA in Arabic 2110 GMT 6 Mar 87 NC]

AGREEMENT WITH CSSR--Cairo, 8 Mar (MENA)--Eng Mahir Abazah, minister of electricity and energy, has attended the signing of a technical cooperation agreement between Egypt and the CSSR for the implementation of a program to provide electricity to rural areas. Eng Zahir Zayd, chairman of the Rural Electricity Commission, signed the agreement on behalf of Egypt, while (Masrik), a member of the CSSR's ZSI [expansion unknown] commission in charge of manufacturing energy equipment, signed for the CSSR. Eng Mahir Abazah said that the agreement stipulates that the CSSR commission will supply Egypt with 10 50,000 kilovolt electric transformer stations to boost the generation of electricity in five governorates of upper and lower Egypt. The cost of these three stations will be financed through the CSSR's loans to Egypt on favorable terms. [Summary] [Cairo MENA in Arabic 1200 GMT 8 Mar 87 NC]

'DEMOCRATIC COPTIC PARTY' CONDEMNS ATTACKS--"The Democratic Coptic Party" [al-hizb al-qibtī al-dimuqrātī] yesterday condemned the "new sectarian aggression against the Coptic people" in Egypt. Party members said this is "an expected and logical result following the penetration of terrorist fundamentalists into the state's sensitive departments." The party accused "the ruling regime in Egypt of pampering the terrorist fundamentalist groups in order to appease certain regimes that incite these groups so it can completely apply the Islamic shari'a law in Egypt." After listing the various incidents of church burnings and harassments of Copts in Egypt since 1947, the party wonders: "Are there no people who are known to be responsible for this series of national subversion and flagrant violations of human rights in Egypt? Or are those only random and unpremeditated sectarian uprisings? Who are the real criminals causing these sectarian incidents since 1928? Right and justice require the incrimination of the leading thinkers instigating these terrorist crimes against human rights in Egypt, and then banishing them from the centers of authority and decisions." [Text] [Beirut AL-NAHAR in Arabic 3 Mar 87 p 4]

COPTIC POPE RECEIVES MESSAGE--Cairo, 26 Feb (MENA)--Coptic Pope Shinudah III of Alexandria has reaffirmed his support for the Palestinian people in their plight and for their struggle to regain their just national rights. He also denounced the siege of the Palestinian people's camps in Lebanon. This came during Pope Shinudah's meeting today with al-Tayyib 'Abd-al-Rahim, PLO representative in Cairo. The latter conveyed an oral message to Pope Shinudah from PLO Executive Committee Chairman Yasir 'Arafat dealing with the continued siege on the Palestinian camps in Lebanon and the war of hunger imposed on the camps' residents. [Text] [Cairo MENA in Arabic 1320 GMT 26 Feb 87 NC]

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CSO: 4500/71

GROUND FORCES BUDGET, TRAINING INCREASED

Jerusalem THE JERUSALEM POST in English 18 Feb 87 p 4

[Article by Joshua Brilliant]

[Text]

For the first time in two years, the IDF will be able to provide more training at all levels in the ground forces, the Navy and the Air Force.

In the recent past, the defence establishment has had to contend with budget cuts. It was forced to reduce training and purchasing – even of food – and to dismantle units with outstanding records. In some units, soldiers over 35 were reassigned to Civil Defence. Some 7,500 career soldiers and civilians employed by the IDF had to find other jobs.

But the ground forces budget for training has been increased, as from April 1.

Regular tank unit commanders will have intensive training periods each year. They will also take part in larger exercises with artillery and other support elements.

In the Tank Corps schools, no gunner will graduate before hitting a target. New devices, better tanks and improved training methods have already resulted in a 40 to 50 per cent improvement in gunners' ability. But this does not reflect overall performance because the men were tested in a school under ideal conditions.

Reservists are less likely to find themselves assigned to maintain security. On average, there will be a 5 per cent cut in the number of

reservists called up. But those who are called will most likely find themselves charging up hills, firing cannons or manning radio communications.

All Tank Corps reserve units are to train this year and every year in the foreseeable future. Sometimes the training period will be long and the better units – those with better equipment – which are more likely to be thrown into battle, will train more and shoot more. Other units will train with simulators. Their commanders claimed they were treated as second class units, but failed to change the decision.

The army also intends to place much greater emphasis on cooperation among the corps.

Engineering Corps units have been provided with improved equipment to enable them to keep up with the front-line units. Combat helicopters meanwhile are being more closely linked with the ground units.

Intelligence, too, has been undergoing changes to provide field commanders with a picture of what is happening behind enemy lines at any moment.

More money will be invested in research and development projects, after some had been frozen in recent years. Basically, the idea is to develop sophisticated equipment which will help offset the drop in the number of weapons systems.

The defence budget comprises three elements: a NIS 3.7 billion allocation in shekels, \$150 million from the state budget for purchases here or abroad, and \$1.8b. in U.S. aid, essentially for expenditure in the U.S.

Presumably, there is less pressure on the army now, since Iraq is still fighting Iran, and Egypt is shortening compulsory service for high-school graduates.

Compulsory service in Israel will yield more soldiers than in the past few years. The army expects 600 more men and several hundred more women to reach military age this year; they will cost the army less than career soldiers or reservists.

Millions of shekels will be saved by using existing supplies, according to Aluf Avihu Ben-Nun, head of the IDF's Planning Division. The dis-

mantling of units is freeing equipment, spare parts, and personal gear which can still be used.

But the army will still be short of some NIS 400m. in the coming year, the chief of general staff's economic adviser, Tat-Aluf Reuven Hershko said. In 1988, the army will need an extra NIS 600m.

The army will undoubtedly press for the increase, and deputy CGS Aluf Amir Drori's statements about the impossibility of cutting down on training indicate an argument that will be used.

An attempt to get the government to fund the Lavi project, rather than charging it to the defence budget, could be another argument.

Meanwhile, officers are studying not only the alternatives the U.S. has proposed for the Lavi, but other, less expensive options as well.

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CSO: 4400/167

COURT STUDYING YESHIVA STUDENTS' MILITARY SERVICE EXEMPTION

Jerusalem THE JERUSALEM POST in English 12 Feb 87 p 2

[Text]

The High Court of Justice yesterday ordered the defence minister to produce a step by step account of his ministry's decisions and the reasons behind them which led to the postponement of military service for yeshiva students. The minister was required to produce these records, covering the entire period since the founding of the state, within 60 days.

The High Court ruling was delivered in response to an application for an order *nisi* submitted by attorney Yehuda Ressler. The petition asks the court to order the minister to show cause why yeshiva students should not be called up for military service.

The practice since Israel's first years has been to postpone the compulsory military service of yeshiva students, periodically, until they are old enough to be exempt from military service. It is estimated that at present there are over 11,000 yeshiva students benefiting from this arrangement. When the practice was introduced in the early 1950s, the number of yeshiva students was in the hundreds.

The petitioner said that previous applications had been rejected by the court on the grounds that he had no standing in the matter, meaning that he personally did not suffer from the fact that yeshiva students did not serve in the armed forces.

He noted that he was now reapplying for an order *nisi* following the High Court decisions in the Shin Bet, Nakash and summer-time cases, which indicated that the court was prepared to consider public petitions without insisting on proof of personal standing.

He argued that any decision to exempt yeshiva students from military service had to be based on express Knesset legislation and not on administrative orders which reflected political and coalition considerations.

State Attorney representative Tamar Hecker said that the state had recognized the study of Tora as a paramount value and had therefore exempted the students in 370 yeshivas from military service. She added that if these students were coerced into serving – against what they saw as a divine order – they would be of little, if any, use to the armed forces.

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CSO: 4400/167

YESHIVA PHENOMENON VIEWED IN RELATION TO IDF SERVICE

Jerusalem THE JERUSALEM POST (Magazine) in English 20 Feb 87 pp 4-5

[Article by Abraham Rabinovich]

[Text]

WHEN foreign military intelligence agencies make their assessment of Israeli strength, there is an elite corps that is consistently overlooked. Its men are dressed generally in a black uniform that appears in no intelligence identification manual and its units are deployed where even spy satellites cannot see them.

This formidable secret army consists of yeshiva students whom many Orthodox leaders regard as sharing the burden of national security on equal terms with their brothers who drive tanks and fly aircraft. "The nation has dedicated 5 to 7 per cent of its youth to preserve the Tora," says Rabbi Moshe Tennenbaum, head of the Yeshiva Committee, roof organization of 370 yeshivot in the country. "It is a *segula* task. Maimonides said those who study Tora constitute the army of the Lord."

Some 16,000 yeshiva students in Israel are draft-age personnel who receive military deferment – a number larger than the number of troops needed to capture Jerusalem and most of the West Bank in the Six Day War. In addition, says one expert familiar with the yeshiva world, at least an equal number "and maybe double that number" who do enter the army after leaving yeshiva undergo military service of only a few months by virtue of being of relatively advanced age and having children. They thus acquire minimally useful military skills. Together with those who have medical defer-

ments, they add up to well over the 5 to 7 per cent of military-age manpower cited by Rabbi Tennenbaum.

It is an extraordinary phenomenon that a small nation, poor in resources and rich in enemies, actual and potential – a nation whose men are burdened with a month's annual reserve duty into their 50s – should permit itself to exempt the equivalent of a division of troops from military service and to permit itself another minimally-trained division or two, all in the interest of Tora study.

The phenomenon becomes even more remarkable when the overall cost is reckoned. At one level, this can be measured by the ever-growing demand for government funds as the growth of the yeshivot outstrips their ability to raise money on their own. The Ministry for Religious Affairs allocated \$40 million for yeshiva assistance this year but government support from other ministries as well as support to students from National Insurance and other agencies probably brings the total to well over \$100m. (Government funds reportedly comprise 25 to 50 per cent of yeshiva budgets, the rest coming from contributions.)

Less tangible but more significant is the social cost of removing a large body of intelligent manpower from what modern society considers productive labour. Labouring in the vineyard of the Lord has yet to raise any nation's GNP. The extent to which this small country supports a

monastic caste of scholars may be without precedent in any society.

This situation, which has developed slowly over the years, penetrates the public consciousness only in a fragmented way when specific controversies emerge such as the charges of extortion levelled last week at Agudat Yisrael Knesset members demanding more funding for yeshivot in return for agreeing to assist kibbutzim, and in the petition heard last week by the High Court of Justice from a private citizen calling on the defence minister to show causes why yeshiva students in 370 institutions should not be called up for military service.

There has, however, been no public discussion of the yeshiva phenomenon that addressed itself to the broader question of how much such alienation from the mainstream a society can afford to support.

"None of the non-religious leaders in the country understand this phenomenon," says Dr. Menahem Friedman of Bar-Ilan University, an authority on the ultra-Orthodox (haredi) community and himself Orthodox. "Society has not thought about the cost."

NEVER in the long and rich history of the Jewish people have there been as many yeshiva students in one country as there are today in Israel, a state whose founders had fled the East European ghettos to create a new society resting upon a new Jewish working class. In all of pre-Holocaust Europe, inhabited by some seven million Jews – that throbbing world of Yiddish and *yiddishkeit* and Shalom Aleichem – there were no more than 10,000 to 12,000 yeshiva students at any one time, according to Rabbi Tennenbaum. Other sources put the figure even lower.

In Israel today with its four million Jews there are, according to the Ministry for Religious Affairs, more than 60,000. Of these, about half are high-school age youngsters but an ever-growing number are *kolel* students – men who do not leave the yeshiva after marriage in order to support their families but stay on as students into their late 20s or 30s or for the rest of their lives. In the past, Jewish communities supported very

few *kolel* students. There are in Israel today 13,600 full-time *kolel* students and 1,500 half-time *kolel* students in addition to 10,500 at advanced yeshivot. By comparison, the number of students at the Hebrew University is 17,000 and its budget is \$120 million. There are a total of 65,000 university students in the country.

"The Six Day War was a turning point," says Israel Lippel, former director-general of the Ministry for Religious Affairs. "It sparked a religious awakening and a growing sense of messianism." Some 2,600 students including men who had served in crack combat units and a few air force pilots are enrolled in *ba'alei teshuva* yeshivot for the newly religious – a post-Six Day War phenomenon – and many others are scattered among regular yeshivot and *kolels*.

Another turning point came when the Likud came to power in 1977 and began to make large sums available to yeshivot. "I just don't understand nationalists like Begin and Sharon who encourage the growth of reclusive, messianic elements which represent the antithesis of their nationalist views," says one expert on the yeshiva world.

The support, or at least tolerance, of the country's secular leadership for the yeshiva world stems partly from sentimentalism – the yeshivot representing the world of our fathers miraculously risen from the ashes of the Holocaust – and partly from the feeling that the yeshiva students are the true carriers of the torch, preserving for the coming generations the core of the Jewish heritage no matter how much their contemporaries flirt with the secular cultures of the day.

In addition, coalition politics, which has given the religious parties a critical swing vote in the Knesset, has been ably exploited by them to extract additional funding for yeshivot.

It was David Ben-Gurion, a secularist, who established draft deferments for yeshiva students. Rabbi Tennenbaum was present at the meeting at which the first prime minister met with yeshiva leaders in the Jewish Agency building just after he had moved the government from

Tel Aviv to Jerusalem at the beginning of 1950. "Even before the rabbi spoke," recalls Rabbi Tennenbaum, "Ben-Gurion rose and said, 'Your request is granted.'" Even in Czarist Russia and blitz-racked England, says Rabbi Tennenbaum, yeshiva students were exempted from the draft and the Jewish state could hardly behave otherwise.

There are two reasons generally cited for the deferment sought by the yeshivot in Israel. The one offered by yeshiva leaders is that the students are supporting the nation's values in the same measure as their brethren serving in the army, albeit in different fashion. The other, believed by many secular Israelis, is that the yeshivot – at least the so-called "black" yeshivot of the ultra-Orthodox community – are basically anti-Zionist institutions which cannot identify with a secular Jewish state.

Bar-Ilan's Friedman believes that the true reason is something else – the desire of the yeshivot to maintain a closed society for their students free of outside influences. "It's a basic need for them to survive." Even the arrangement of the Hesder yeshivot to have their young men serve in the same units during their compulsory service, he says, is a social control mechanism.

As to the non-identification of many yeshivot with the Zionist state, Friedman says that even the most anti-Zionist haredim feel a sense of responsibility to the Jewish people dwelling within that state. "When the Lebanese War started, the (virulently anti-Zionist) Eda Haredit declared in posters that the men who started the war were evil (*rasha'im*) but called for three days of psalm readings on behalf of the Jewish soldiers being sent to fight there. The yeshiva students themselves are very sensitive boys who very much feel a sense of responsibility to the Jewish nation."

In striking contrast to the "black" yeshivot – the title deriving from the colour of the exterior garb traditionally worn by the rabbis there – are the Hesder yeshivot founded by the B'nei Akiva movement in the 1950s in which students mix a full term of service as conscript soldiers with yeshiva studies over a five-year

period. There are 3,100 students in Hesder yeshivot and they are fully integrated into the national life.

The overall trend, however, is towards black. "The yeshivot reflect a trend in society to close ourselves off in a spiritual fortress," says Lippel, himself knitted *kippa*, modern Orthodox. "We have not reached the peak of that trend. The yeshivot are becoming more and more extreme."

"And even in the general population there is a growing willingness to accept religious injunctions. I think that in a year or two football stadiums will be closed altogether on Shabbat and games held on some other day. If they had made this proposal five years ago there would have been a revolution."

"The religious parties today are also much more extreme on nationalist issues than they were a few years ago. This is a society in crisis and turning more and more to religion for an answer. Man cannot live by bread alone – you need to aspire to something larger. Socialism is not an answer today and to many religion seems to offer an answer."

Although religion offered an answer as well to Jews in the past, in Eastern Europe and elsewhere, it is only in the post-World War II world that it has been possible to indulge this inclination on a massive scale in the form of withdrawal to reclusive yeshivot.

"There was an economic revolution after the Second World War," says Dr. Friedman. "The centre of Jewish life shifted from Eastern Europe, where families had to struggle for survival, to the welfare states of the West."

"Before the war, a young man was always confronted by the question of *tachlis* – earning a livelihood. The welfare state gave security. In cases of ultimate crisis – death of the breadwinner or serious illness – the family could continue to cope. In Eastern Europe, young men had to go out and help support their families, but in the West, parents earned enough to support their children's education. Free compulsory education at the lower levels left resources over for supporting higher education. And many individual Jews now became wealthy and could support yeshivot philanthropically."

THE YESHIVA world is not one of blind faith or religious obscurantism as outsiders may think but a rich intellectual and social milieu offering great satisfaction. Studying in pairs, the students proceed through the volumes of the Talmud like law students, arguing the meaning of the passages as they go along.

Each day there will be a lesson with a rabbi who will sound them out on their interpretations and then provide his own insights. "The rabbi will raise apparent contradictions within the text or with other texts," says Friedman. "The Talmud is *ad hoc* and he extracts principles. The object is to bring apparent contradictions into harmony. You build a theoretical building, a *mivne*, you build assumption on assumption, you examine the 'building' from all sides until it all locks into place.

"Students capable of doing this find in it the most sensual pleasure. The words they use to describe it are sensual - 'beautiful,' 'clear,' 'sweet.' The Hazon Ish (a much-revered scholar who lived in Bnei Brak and died in 1953) said 'There is no cleansing like (talmudic) clarification.' " In addition to the sense of intellectual adventure, the yeshiva also offers a vital social life filled with communal celebration and personal contact.

The students live in dormitories and rise at 5:30, beginning their studies some two hours later, after prayers and breakfast. Studies generally continue until 11 p.m. Married *kolel* students, who congregate for their studies in small groups, spend seven hours a day in the *kolel*

for which they receive the equivalent of \$250-\$300 a month. Those with large families receive stipends from the National Insurance Institute and there is sometimes support from families, but their homes are generally humble.

Nevertheless, the number of men opting out of contemporary society in order to pursue this ascetic existence is growing without any economic barrier, as there had been in the past, to limit that growth. "The rabbis themselves will never admit that there is a limit to the expansion of yeshivot," says Friedman. "This will probably continue until there is an explosion of some kind."

The army, alarmed at the lure of the yeshivot, has stopped organized visits by groups of soldiers to yeshivot which formerly had been part of the army's educational programme to acquaint the troops with various facets of life in the country.

As a human resource, the yeshivot harbour a tremendous potential to the nation, and although the tide now flows inwards from the secular world to the yeshiva world, it cyclically flows outwards as well.

So long as yeshiva students represented a tiny if significant periphery of the Jewish community, their value as bearers of the torch outweighed the loss in practical terms of their brainpower to the community as a whole. However, as the yeshivot consume an ever-growing proportion of Israel's manpower, they become an indulgence that must be weighed by the broader community not in terms of sentimentality but of social cost-effectiveness. □

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CSO: 4400/167

SOLAR ENERGY STUDIED AT SDE BOQER

Tel Aviv MA'ARIV in Hebrew 22 Feb 87 p 7

[Article by Avraham Peleg (Translation by Government Press Office)]

[Text] Israeli scientists continue to follow the sun in order to extract energy from it. This Wednesday the Energy and Infrastructure Ministry will inaugurate a central experimental sit to field-test technologies for producing electricity from solar energy. The site will cover 20 dunans at Sde Boker. The location was selected due to the existence of favorable conditions of direct and over-all year-round sunshine, and from its proximity to a center able to provide professional manpower for operation and maintenance of the site, which is being named after Israel's first prime minister, David Ben-Gurion.

At the Ben-Gurion Center, energy researchers will be able to acquire knowhow and experience for the purpose of establishing efficient installations for utilizing solar energy. An additional goal of the center is to advance and expand knowhow in the utilization of solar energy in order to preserve Israel's international standing in this sphere. In an interview to Ma'ariv, Ministry of Energy and Infrastructure Chief Scientist Dr Pinchas Glueckstern said: "This site is already taking shape. Two experimental installations are already in operation. The additional solar technologies that will be tested at the site are designed for an important goal: to supply 4% of Israel's energy needs by the year 2000.

Israel is one of the world's leaders in the utilization of solar energy for heating water. A number of techniques currently in use were developed and perfected via studies supported by the Energy and Infrastructure Ministry. The ministry concurrently supported in the past--and continues to support today--studies in the production of steam and the direct and indirect conversion of solar energy to electrical energy. The largest financial investment thus far made--about \$20 million--was in the development of solar pools. This development led to the establishment of the solar pool at Beit Ha'arava, the largest of its kind in the world. (...)

Dr Glueckstern notes that about 40 solar energy installations--each producing over 100 kilowatts of electricity--are already in operation worldwide. One of them is the Dead Sea solar pool, but soon the Weizmann Institute's solar tower will also be in operation. Thus, in the near future Israel will have three solar installations producing more than 100 kilowatts.

However, Dr Glueckstern adds that the Energy and Infrastructure Ministry has come to the conclusion that Israel should not settle for monitoring what the world is doing, but should establish a central site in Israel for field tests. One of the reasons that impelled the ministry to formulate this policy is the possibility that reliance on the knowledge and experience of others in this sphere is liable to result in errors.

The studies at Sde Boker's experimental site will assist in the development of a local industry of equipment and components for solar energy installations, will contribute to the balance of payments by augmenting the export of knowhow and equipment and by enhancing scientific and technological cooperation with other countries.

In the long term, the Energy and Infrastructure Ministry intends to expand its activities by integrating experiments in desalination installations. Israel has the knowhow and great experience in planning, construction and operating desalination installations of various types. In the first stage at the Ben-Gurion site, a reverse-osmosis desalination installation will operate. (...)

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CSO: 4400/166

ANNUAL ENERGY CONSUMPTION STATISTICS

Amman JORDAN TIMES in English 21 Feb 87 p 3

[Text]

AMMAN (Petra) — Jordan consumed only 1.6 per cent more energy in 1986 than it did in 1985 compared to an average annual increase of 13 per cent between 1974 and 1984.

The total consumption of energy in 1986 was the equivalent of 2,864 tonnes of fuel compared to 2,819 in 1985. The amount of energy used last year in production was 2.6 per cent, up one per cent from the previous year.

The energy cost in 1986 was 5.9 per cent of the gross national product (GNP), considerably less than the 13 to 14 per cent average of GNP in previous years. GNP in 1986 increased by 3.2 per cent.

The efficiency of energy consumption in 1986 was 515 kilogrammes for every \$1,000 in GNP which is close to European and Japanese figures.

The decrease in consumption and the optimisation of its use came as a result of the Ministry of Energy's national rationalisation programme which included carrying out studies on various industries and public and private transport.

Over the last year, the ministry carried out public awareness campaigns through the media, urging rationalisation of energy consumption on all levels.

The success of the rationalisation policy can be detected by monitoring and analysing the various economic sectors and their consumption. In the transport sector, consumption in 1986 remained at the 1985 levels de-

spited the increase in the number of vehicles from 173,000 in 1985 to 179,000 in 1986 (a 3.5 per cent increase).

There has also been an increasing tendency towards rationalising petrol consumption manifested through increasing popularity of smaller vehicles and public transport.

In the field of electricity, fuel needed to produce one kilowatt/hour was 282 grammes in 1985 compared to 274 grammes in 1986, an improvement of three per cent in the efficiency of generating electricity.

Industrial production increased by 1.4 per cent while energy consumption in the same sector increased by 1.3 per cent.

Electricity consumption in 1986 increased from 2,151 megawatts to 2,362 megawatts in 1986 (10 per cent increase) compared to the average annual increase of 19 per cent between 1974 and 1984.

Jordanian households have also increased their use of solar energy for water heating from 20,000 households in 1985 to 50,000 in 1986.

The transport sector remains the biggest consumer of energy (about 39 per cent of total consumption) followed by electricity (28 per cent), industry (13 per cent), private homes (11 per cent)

and nine per cent by other sectors.

The Jordan Petroleum Refinery Company (JPRC) sales of fuel increased in 1986 from 2,622 to 2,583 tonnes (nine per cent). The increase is attributed to the Jordan Electricity Authority's buying of 100,000 tonnes which were stored at the Aqaba Thermal Power Station for strategic purposes, and for exporting electricity to Syria.

Petroleum by-products produced by the JPRC in 1986 reached 2,265 tonnes from 2,424 in 1985. Demand for heavy fuel increased by 22 per cent in 1986 while demand for car fuel remained at the same levels.

Jordan imported 610,000 tonnes of heavy fuel from Iraq and Kuwait as the imports were more economically feasible than extracting it from crude oil in Jordan. Fifty per cent of the import cost was paid by Jordanian products and services.

The amount of electricity generated last year reached 2,955 megawatt/hour.

The Kingdom imported 2,967 tonnes of fuel out of which 2,300 tonnes were of crude oil and the rest was by-products, mainly heavy fuel. The increase in import was 2.6 per cent in 1986. The increase was in the import of heavy fuel (54.4 per cent) while the import of crude declined by 7.5 per cent. Heavy fuel cost 40 per cent less than crude.

NEED FOR ELECTRICITY DISCUSSED

Amman JORDAN TIMES in English 22 Feb 87 p 4

[Article by Dr Fahed Fanek]

[Text]

IT is widely believed that the degree of development of any economy or, for that matter, the quality of life of any people can be measured by the per capita consumption of electricity. The truth of this observation is evident. The per capita consumption of electricity in the industrialised countries is obviously much higher than that of developing countries.

However, this fact does not mean that increasing the rate of electricity consumption may in itself make the people more advanced or the economy more developed. The increase in energy consumption is one of the results and not causes of economic development and social progress. Otherwise the call for energy conservation would run contrary to progress and development.

On the other hand, we observe that the per capita consumption of energy in America and Europe is nowadays 30 per cent less than it used to be 14 years ago, despite the continued economic growth and social progress in the industrialised world.

In Jordan, top priority was given to increasing consumption of energy, especially electricity. The rate of increase reached a staggering 17 per cent a year since 1974, at a time when the world was trying hard and succeeding in the conservation and reduction of energy consumption.

The Jordan Electricity Authority (JEA) has invested over JD 150 million to generate electricity, besides spending over JD 50 million a year.

The number of electricity users in all categories exceeded 400,000 subscribers, more than the number of families or households in the country, which suggests that over 95 per cent of the population are now connected with the electricity network, the highest rate in any Arab country, including those who produce and export oil.

The purpose of increasing the consumption of energy beyond the rate of growth in Gross National Product (GNP) is to justify more expansion and the installation of yet more generators and equipment. Admittedly, this is an interesting process from the technological point of view, especially when both the JEA and the Ministry of Energy and Natural Resources are run by electrical engineers whose imagination and technical competence is beyond question. They are keen to serve the country through the utilisation of technological achievements. But they may be less keen about national priorities and the financial considerations — especially when they notice, time and again, that raising millions of dollars to finance expansion does not cost more than signing credit agreements and shaking hands with suppliers under the lights of the television cameras.

Now that all of Jordan's reasonable needs for electricity are more than satisfied, the JEA has become active in marketing Jordanian electricity outside the Kingdom, such as in Sinai and southern Syria, at bargain prices and on credit basis. It also started lighting highways, and whatever is needed to create more demand on electricity consumption and justify further expansion and more international tenders, which are under way.

One more question which may be equally important: Is it in the best interest of the country from the strategic security viewpoint to electrify the whole country from one central complex instead of spreading generators all over the country, as long as they can be connected together in one national network, as done in other countries, where they worry about economic and national security considerations, and would not leave their fate in the hands of the technicians who may not be interested in financial statements or profit and loss accounts? What would have happened to Iraq or Lebanon, for instance, had they depended for all their needs of electricity on one authority, concentrating its equipment in one exposed port like Basra or Tyre?

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CSO: 4400/176

EFFECTS OF HIGHER TARIFFS VIEWED

Amman THE JERUSALEM STAR in English 12 Feb 87 p 11

[Article by Rula Nasr Darwazah]

[Text]

IN THE past week the cabinet has undertaken a number of measures in order to support the economy of Jordan by protecting local industries. These measures include increasing the tariffs on some luxury or complementary goods and protecting some local industries by prohibiting the imports of their rivals.

The prices of local and imported cigarettes have been increased and duties on imported clothes raised by 10 per cent.

The tariffs in imported cheese, alcohols and nuts have also been raised while the cement industry will be fully protected by the prohibition of all cement imports.

The protection of local industries is usually achieved either by subsidizing these industries for a certain period of time to enable them to become more competitive in the market, or by imposing tariffs on imports of commodities which are also produced locally.

This increase of tariffs on certain imported commodities can have a number of effects on the economy. The first obvious effect is an increase in prices. Then the tariffs collected generate revenue for the government which are then for the improvement of the economy and can work as a means of redistribution of income.

Local producers are also supposed to gain a form of protection for their industries. This works if the tariffs imposed on imported goods are higher than those imposed on the raw materials imported by local producers.

For example, the government has increased tariffs on imported clothes by 10 per cent and exempted the raw materials of clothes industries such as buttons, zippers, etc., from tariffs. This is a good step towards promoting and protecting the clothing industry as the local producers will have the chance to save on their costs and at the same time, become more competitive in the market.

However, there is a fact that has to be considered and that is, the nature of the demand behaviour of the consumer. Those consumers whose demand is inelastic and thus whose response to the increase in prices is limited, will not change their pattern of purchasing, and thus will still pay the higher prices. On the other hand those consumers, whose demand is elastic will be highly responsive to the change in prices and are likely to refrain from buying imported goods.

This leads us to the point that only those who are willing to pay for the increase in prices, are

those who are affected by the increase in tariffs. Thus only those who can afford the increase in prices are those who will finally pay for the increase in tariffs. And, as was noted earlier, the revenue that is collected by means of tariff will be spent again in the economy for a range of improvements to benefit the whole community. Thus, in this manner, the tariff can work as a means of redistribution of income.

The same process applies to the import of commodities such as Alcohol and nuts as a percentage of the population is willing to go on buying such luxury items despite price rises.

So, until local industries are established the tariffs can be considered a useful measure for the economy. Certain industries which are facing difficulties, particularly in a time of recession, need to be protected until they can stand on their own.

These prohibitive measures are the maximum that government can do for the protection of local industries. The measures restrict the local consumers to purchasing the local production although the real impact of the measures is not felt until stocks of the imported materials in the market have been used up.

/13046

CSO: 4400/176

UNEMPLOYMENT, EXPATRIATE LABOR PROBLEMS DISCUSSED

Amman THE JERUSALEM STAR in English 26 Feb 87 pp 4-5

[Text]

IN 1986 there were almost 100,000 foreigners legally employed in Jordan, that is, those holding valid work-permits. A spokesman from the Ministry of Labour estimated that as many as a further 150,000 foreigners were illegally employed here. At the same time, there are 35,000 Jordanians out of work; 77.9 per cent of the non-Jordanians employed here are Arabs — mainly Egyptians. A further 20.2 per cent are Asian i.e. from Sri Lanka, India, Pakistan, the Philippines etc. Europeans number only 1.2 per cent and the remainder, less than one per cent, come from the rest of the world including the US.

It is the aim of the Ministry of Labour to reduce the number of Jordanians who are unemployed. This is a difficult task as, according to Dr Mansour Utoum, Director of Employment, most unemployed Jordanians are graduates of Community Colleges and Universities and therefore do not wish to seek employment in the sectors where vacancies most often occur, for example in agriculture.

The following table shows the main sectors in which expatriate workers were employed in 1986

Technicians	3,032
Management	589
Clerical	396
Sales	1,606
Services	42,548
Agriculture	14,526
Industry	13,350
Transport	3,633
Construction	18,205

This table refers to the workers holding valid permits

The government has introduced new measures in an effort to prevent foreigners from taking up employment here illegally. From 1 January 1987, all foreigners entering Jordan, with the exception of visitors, must register with the nearest police station within two weeks of arrival. The governments of Jordan and Egypt have come to an agreement to organize the movement of workers between the two countries. No visas are required for travel between the two countries, but now, an Egyptian arriving in Jordan will not be granted a work permit unless he has an agreement for employment before he arrives.

Europeans employed here are normally in managerial positions or involved in some aspect of education, as is the case with most of the expatriates from the developed countries. They are usually in positions which could not be occupied by Jordanians and, in any case, they represent less than two per cent of the work-force and therefore do not pose a major threat to unemployed nationals.

Before 1975, there were no foreigners employed in agriculture or services here. It is since then that Jordanians have had more educational facilities and therefore are not available for more menial work. It is said frequently that a Jordanian would rather be out of work than be employed as a labourer or a dust-man. One cannot blame a graduate for not wanting to allow all the knowledge that he

has gained through years of study to stagnate while he sweeps streets in order to make enough money to keep body and soul together. If he remains unemployed, there are, as yet, no social services or "dole" for him to fall back on, as is the case in many developed countries, so he has a major problem.

Dr Mohammad Abdel Hadi, who is the director of the research department at the Ministry of Labour, carried out a very interesting survey between 1981 and 1985. The results show the annual rate of growth in demand for Jordanian and foreign employees in various sectors.

It is obvious from that the employment of foreign workers certainly affects the unemployment figures of nationals.

Why should there be such a

swing towards the employment of non-Jordanians particularly in agriculture, construction and the services in general? It appears that immigrants from developing countries are prepared to accept atrocious working-conditions:

They will work for wages up to 40 per cent lower than would a Jordanian.

They will accept longer working hours and do not insist on over-time payment.

They are more 'obedient' and will accept seasonal or daily work.

They do not ask for increase in wages.

They will accept delays in the payment of their wages, looking on this as 'saving,' if there is a recession, they will accept lower wages.

They are prepared to work in any field, not necessarily that in which they are trained.

They will accept any working conditions without complaint or question of rights.

In short, they are being exploited. They are in the power of the employers who know that no choice is available to them, other than to return to their country of origin where they will have no work and therefore, possibly, no food.

Any worker in Jordan, who feels that he is being treated unfairly by his employer, has the right to go to the Ministry of Labour and present his case. There, the facts will be looked at by tribunal and an officer will be sent to examine the working conditions and ensure that all is as it should be.

The following table shows how the demand for foreign workers increased in all but one sector, which was government, public administration and social services.

	Jordanians	Non-Jordanians
Agriculture	- 2.3	+ 33.7
Mining & Industry	+ 6.8	+ 22.5
Electricity & Water	+ 13.9	+ 35.2
Construction	+ 4	+ 14.7
Trade	+ 2.8	+ 17.0
Transportation	+ 8.1	+ 38.3
Financial	+ 11.6	+ 32.1
Govt., Pub. Adm. etc.	+ 2.6	- 16.1
All Sectors	+ 3.1	+ 12.4

Steps to Ease Unemployment

FIGURES RELEASED by the Department of Planning, Training and Research of the Ministry of Health and the Jordan Medical Association (JMA) prove that there are 3703 registered doctors; 300 of which, up to January 1986, are unemployed. During 1986, 572 new doctors joined the association, 205 of which were employed by the public sector at the university hospitals and the medical services. The remaining number went into the private sector or remained unemployed.

At the moment 500 students are studying medicine in the University of Jordan and abroad.

To decrease the percentage of unemployment in the medical sector, the Ministry of Health, in co-ordination with the JMA, is in the process of undertaking a number of measures which aim at a more balanced and organized labour market. These include asking large commercial and industrial companies, schools and community colleges to assign resident doctors, opening clinics in distant villages and rural areas, organizing a comprehensive medical insurance for the private and public sectors, to spread medical services and give doctors the opportunity to get enough practice.

Breakdown of Job Opportunities

LATEST STUDIES indicate that the total work force in Jordan is estimated at 503,000; 143,000 are non-Jordanians and 328,000 are Jordanian citizens working abroad mainly in the Gulf areas. Job seekers amount to 40,000; 25 per cent of which are university graduates.

These figures show that the number of unemployed people form eight per cent of the total workforce and foreign labour amounts to 28 per cent. This means that an organized labour market should leave a surplus of job opportunities for Jordanians.

The increasing numbers of community colleges and university graduates in addition to the large influx of foreign labour has resulted in an unbalanced labour market and unemployment among holders of academic specialties.

- Manpower in 1985 was estimated at 503,000.

- Non-Jordanian manpower in 1985 totalled 143,000.

- Jordanian expatriate manpower in 1985 was estimated at 328,000 out of which 276,000 worked in the Gulf countries.

- The number of Jordanians looking for jobs was estimated at 40,000 divided according to qualifications as follows: 45 per cent — high school and below, 30 per cent — community colleges, 25

per cent — university graduates.

- Available statistics show that there are about 30,000 foreign workers with no legal permits.

- The ratio of females looking for jobs via the civil service commission amounts to 60 per cent; 80 per cent of them hold community college diplomas.

- The total number of employment applications received by the Civil Service Commission until 30 November 1986 amounted to 28,000.

/9317

CSO: 4400/172

CENSORSHIP OF WESTERN MOVIES, 'DESTRUCTIVE,' 'ALIEN ETHICS'

Amman THE JERUSALEM STAR in English 26 Feb 87 p 11

[Article by Osama El-Sherif]

[Text]

AS YOU read this column, a group of men will be sitting in a dark room watching dirty films. Well, not necessarily all dirty. These men are doing their job. Censoring dirty films is the responsibility of a bureau that is connected with the Press and Publication Department. All films -- video and cinema -- must be seen by these men who know very well what their job requires, and the tough task that lies ahead of them.

Some might envy these employees who get to see what many of us miss. But theoretically, the majority of us will feel grateful that because of these men, one can feel safe that pornography will never find its way into this country's cinema theatres and home video screens. Not really. There is something wrong with the policy of the censorship department. The problem has to do with what to censor out and what to allow into the country, to be viewed by an audience whose average age is below 20 years.

The dilemma looms over those responsible for watching every single frame, footage and title of all film material coming into Jordan. Ostensibly, the job is easy enough. Cut out sex and politics, the rest can pass. It is here that the real threat lies.

Destructive notions and imported alien ethics are not always visible to those who have been entrusted with guarding the gates of our cultural heritage. A small country like Jordan attempting to usher itself into an age of modernity and industrialization is bound to encounter heterogeneous political, economic and social diseases. A cultural crisis is also a common pestilence endangering the durability of social fabrics of traditional societies. And when we are talking about notions, one is not, as in the past, limiting it to the written word. Privately and

publicly, the threat emanates from imported films finding outlets in cinemas, television and video.

I have a number of reservations concerning the applications of censorship, its ethics and prerogatives, but I also believe that a fragile traditional society must use all the available means as shields to protect its vulnerable culture from melting away before an extremely liberal, irresponsible and an increasingly threatening technologically-based culture, which today we associate with America.

I was struck to see in a local cinema a preview of an American film (originally X-rated, but apparently censored out) whose topic was about a high-school girl, who found that the only way to pass her tests with the highest marks was to go to bed with all her male professors and teachers. The message is so revolting, the story appalling and the whole film simply disgusting. Yet our boys from the censorship department saw to it that the film was passed as long as they scissored away no less than one third of it, which contained all the 'hot stuff.' The rest, they decided, was no longer harmful. But they were wrong. The film, stripped of its sexual scenes, was still as dangerous as before especially, as it is directed to a young audience, most of which are in high schools or universities.

I have heard about and seen previews of films dealing with losing one's virginity (and being proud of it), college orgies, rapists, drug addicts and others. Again the censorship apparatus cuts out scenes which are pornographic and does nothing about the film's theme. More and more new habits, social attitudes and youth-related problems are being developed as a result of the dangerous messages and contents such films

present. In the end, an increase in youth delinquencies, juvenile crimes, sexual assaults and immoral behaviours is noted and we wonder why such social diseases are taking place in our conservative society.

The censorship bureau also lacks a policy on cheap Chinese films dealing with martial arts like Kung-Fu, Ninja and others. I was stunned when my 10-year-old nephew told me that he prefers to attack 'his enemies' Ninja style rather than using conventional Karate and judo methods. Why? Because Ninja does more harm to one's opponent — the aim is to kill. And where did he know about all that? From the movies — of course.

Then I was told about the secret — but not so secretive — hot cinema houses in downtown Amman, where one can see all the X-rated movies he wants. I then found out that some of the censored clippings somehow find their way into these dingy projection rooms. How come that these cinemas operate, I don't know.

The same was said of video rental shops, some of which also deal with pornographic movies and rent them out to preferred customers. So in the end, one is confronted with a situation where censored films get into the country, but are still loaded with dangerous ideas and messages, while an underground exchange of pornographic movies thrives despite of all censorship cam-

paigns. Both ways the society is faced with destructive ideas and values, which easily attract the younger generations.

Dealing with the invasion of foreign cultures, alien traditions and codes of ethics is an international problem. Even liberal societies in Western Europe are looking with anxiety for ways to confront the massive onslaught of American values against homogenous and native cultures. For us censorship is one way to check this invasion. But arbitrary policies will not do the job, nor are we calling for a repressive and dogmatic apparatus to stifle every thing Western or foreign to our traditional culture. A national strategy of cultural defence must become the ultimate weapon facing the encroachment of threatening cultures.

Such a strategy can only be reached through collective work by politicians, religious figures, educationalists, sociologists and communicators. Censorship boards on films, books and others must be comprised of teachers, mothers and fathers and media experts. We must not forget that we are a developing country and that strict policies, which are nationally-approved of, are needed to steer this country through heaps of challenges to our culture, language, religion, traditions, heritage, social norms and others. To reach the final destination of being developed must not mean that we have to sacrifice our cultural identity or import along with factories and machineries, social diseases which are plaguing the West.

/9317

CSO: 4400/172

BRIEFS

NEW GOVERNORS APPOINTED--Amman (J.T.)--Irbid Governor Mohammad Ali Al Amin has been appointed governor of the Amman region in accordance with a decision by Minister of Interior Rajai Dajani. Mr. Amin succeeds Mr. Ahmad Hindawi who retired some two months ago. The minister also decided to appoint Mr. Akran Al Naser, who previously served as governor at the Ministry of Interior, to succeed Mr. Amin as governor of Irbid. The new appointments take effect as of March 1, 1987. [Text] [Amman JORDAN TIMES in English 24 Feb 87 p 3] /13046

CENTRAL BANK ANNOUNCES HIGHER DEPOSITS--Amman (Petra)--The Central Bank of Jordan (CBJ) announced on Wednesday that its deposits of gold and foreign currency amounted to JD 780.1 million by the end of November 1986, registering an increase of JD 29.535 million over deposits registered at the end of same month of the previous year. The announcement said that out of the amount, the CBJ owned JD 366.767 million and the local commercial banks owned the rest of the amount. [Text] [Amman JORDAN TIMES in English 13-14 Feb 87 p 1] /13046

PHOSPHATE TRADE WITH CHINA--Amman (J.T.)--The Central Trust of China in Taipei, the Republic of China (ROC), on behalf of the Taiwan Fertilisers Co., has signed a long-term agreement with the Jordanian Phosphate Mines Co. to buy 270,000 metric tonnes of phosphate from Jordan through price negotiations, a press release issued by the Far East Commercial Office said Friday. The term of the agreement, signed on Feb. 23, is for three years ending Dec. 1989. In the first half of 1987, the Taiwan Fertilizers Co. will purchase 40,000 metric tonnes of Jordanian phosphate at a price of US \$28.25 per metric tonne FOB Aqaba, the release said. The remaining quantity will be purchased every following six months at the prevailing price through negotiations, it added. [Text] [Amman JORDAN TIMES in English 7 Mar 87 p 3] /13046

AMBASSADOR TO COLUMBIA APPOINTED--Amman (Petra)--A Royal Decree has been issued approving the appointment of Mr Talal Hikmat as Jordan's non-resident ambassador to the Republic of Colombia. [Text] [Amman JORDAN TIMES in English 26-27 Feb 87 p 3] /9317

CSO: 4400/172

DECLINE IN AID TO FOREIGN NATIONS

Kuwait ARAB TIMES in English 11 Mar 87 p 11

[Text]

KUWAIT, which used its oil wealth to become a leading donor of aid to the Third World, has been forced to cut back on once substantial handouts, according to Reuters.

Lower oil prices and state budget cuts are partly to blame, but so are problems faced by aid beneficiaries in putting together development projects.

Products

Damaged grain silos bear witness to the last project funded by the Kuwait Fund for Arab Economic Development (Kfaed) in Lebanon, before it halted aid in 1968.

"To implement any project, to study a project in that country, there has to be stability. What is the use of starting something today and tomorrow it is destroyed?" said Kfaed director-general Badr Al Homaidhi.

The fund is, however, moving to ease the flow of funds for some countries while helping the Kuwaiti economy by using local

By the end of 1986, it had committed KD 1.4 billion (\$4.75 billion) in aid to 66 countries, half for Arab states, almost one-third for Asia and nearly one-fifth for Africa.

Policy

With the oil boom over, its annual outlays crashed 75 per cent over three years from a peak KD 225 million (\$810 million) in 1981-82, but rebounded again last year to around \$320 million.

"I can say for sure, with the internal resources we have we can sustain aid for the next four or five years at the level of the past year," Homaidhi told Reuters.

Meantime, in an important new policy shift, the Kfaed has started to relax borrowing criteria for some countries products and services in foreign projects, Homaidhi said.

Latest figures from the Paris-based Organisation for Economic Cooperation and Development (Oecd) ranked Kuwait as the most generous donor of official development aid in 1985.

But the 2.72 percent of gross national product (GNP) Kuwait spent on aid, a larger share than any other donor nation, is far below the record 4.39 percent ratio in 1982, when national coffers were flush with petrodollars.

The Kfaed, however, is strictly limited to project and infrastructure development and is believed to account for over half the country's total aid.

It extends concessionary loans at interest rates of 0.5 to 6.0 per cent, repayable over periods of upto 50 years.

whose budgetary and economic hardship prevent them meeting terms laid down in the past.

The changes also include a bid to help Kuwait's oil-reliant economy which economists say shrank about eight per cent in real terms, accounting for inflation, in 1985 and double that last year.

Wherever possible local products such as oil — which Homaidhi says can be a "huge component" — or electrical equipment, and service industries like contracting, are now given a part in projects funded by the Kfaed.

"We think we are obliged to do it nowadays because of the recession in Kuwait ... we have to try to help the economy. But at the same time not affect the quality of the aid," he said.

/13046

CSO: 4400/173

BILATERAL COOPERATION WITH TURKEY STRENGTHENED

Muscat TIMES OF OMAN in English 12 Mar 87 p 3

[Text]

Oman and Turkey on Monday reaffirmed their determination to strengthen bilateral co-operation with emphases on economic, technical, trade and cultural fields.

A joint statement released simultaneously in Muscat and Ankara said that the two countries have decided to explore the possibility of setting up a Joint Economic Commission to consider ways necessary to enhance the existing co-operation between the two states.

The statement, issued at the end of the visit of Minister of State for Foreign Affairs Yusuf bin Alawi bin Abdallah to Turkey, also said that Mr Alawi's talks with his Turkish counterpart Vahit Halefoglu dealt with the Iran-Iraq war, the Middle East question and the situation in Lebanon.

It added that the two sides shared similar views on the need for peace-

ful, honourable and lasting solutions to the issues discussed.

The two sides also affirmed that solidarity and close co-operation among the Islamic countries will enhance peace, stability and prosperity in the region.

On the plight of the Turkish Muslim minority in Bulgaria the two countries expressed hope that a solution could be found to this problem through negotiations between Turkey and Bulgaria.

On the Cyprus question, the two sides expressed their support for the just cause of Turkish Cypriot people.

Mr Abdallah extended an official invitation to Mr Halefoglu to visit Oman. The invitation was accepted for a date to be fixed later.

On Thursday Turkish President Kenan Evren received Mr Abdallah, who also met the Turkish Deputy Prime Minister Kayr Arden.

/9317

CSO: 4400/170

TRADE DELEGATION DISCUSSES COOPERATION WITH CANADA

Muscat TIMES OF OMAN In English 4 Mar 87 p 17

[Text]

A 15-member Canadian trade delegation led by Mr Hassan Shaben, Minister of Economic Development and Trade of Alberta Province in Canada, held talks at the Oman Chamber of Commerce and Industry last week in a bid to promote trade and economic co-operation between Canada and Oman.

Welcoming the delegation, the OCCI President, Sheikh Ahmed bin Mohammed bin Omeir, apprised the Canadians of business and investment opportunities in Oman.

He said Oman had a free trade system and desired to establish trade relations with all friendly countries.

The Chamber President said there was good scope for joint ventures in the field of light industries and the Government was offering concessions to investors in this sector.

Mr. Hassan Shaben thanked the Ministry of Commerce and Industry and the OCCI for the excellent arrangements made for the visit. The visit had helped traders from Alberta to see the local market and discuss business with Omanis, he said.

The value of imports from Canada to Oman rose to R.O. 2 million in 1985 as against R.O. 1.1 million in the previous year, an increase of 81.8 per cent. Canadian exports to the Sultanate were highest in 1982 --- R.O. 4 million as against R.O. 3.4 million in 1981.

The Omani side at the talks included Khamis bin Ali al Hashar, Vice-President of the OCCI and Directors, Dr. Hamed al Riyami, Mansour bin Talib, Abdul Hussain Baqar and Fssa Mohammed al Fssa.

The inflow from Canada consists of food, livestock, crude materials, chemicals, machinery and transport equipment.

The Canadian delegation has also offered technical expertise for agricultural projects.

During their three-day stay in the Sultanate, the Canadians were received by the Minister of Commerce and Industry, Col. Salim bin Abdullah al-Ghazali, who said the Canadians had proposed several ideas which would now be studied in detail by Omani officials.

The Canadian delegation was also received by the Minister of Education and

Youth, Yahya bin Mahfoudh al-Mantheri, and the Minister of Petroleum and Minerals, Said bin Ahmed al Shanfari. Mr. Shanfari explained to the visitors Oman's achievements in the field of petroleum and energy. The meeting was also attended by Petroleum and Minerals Under-Secretary, Salem bin Mohammed bin Shaban.

/9317

CSO: 4400/170

BRIEFS

TRADE AGREEMENT WITH JORDAN--Oman and Jordan have exchanged instruments of ratification of a trade and economic agreement signed between the two countries. Oman's Ambassador to Jordan Khamis bin Hamad al Battashi represented his country and Jordan was represented by Industry and Commerce Under-Secretary Mohamed al Saqaf. [Text] [Muscat TIMES OF OMAN in English 19 Feb 87 p 1] /9317

EDUCATIONAL ACCORD WITH UAE--The Sultanate and the United Arab Emirates on Tuesday signed a two-year programme of co-operation in education, culture and sports for the cultural agreement signed in 1982. The co-operation programme was signed by Saud bin Ibrahim al Busaidi, Under Secretary at the Ministry of Education and Youth and Mohammad Sultan Abdulla al Owais, Charge D'Affaires at the UAE Embassy in Muscat. Talking to newsmen after the signing, Mr Busaidi said the programme of co-operation envisages exchange of students, teachers, scouts and sportsmen. They will consult and exchange information on curriculums, technical and adult education and other educational resources. Also present at the ceremony was Murad Ali Murad, Director General of Scholarships and Foreign Relations. [Text] [Muscat TIMES OF OMAN in English 26 Feb 87 p 2] /9317

CSO: 4400/170

BRIEFS

UGANDAN WOMEN BARRED FROM DUBAY--Kampala (R)--The Gulf Emirate of Dubai has banned all Ugandan women except employees of National Airline from entering the Emirate, the airline has said. A notice, displayed in Uganda Airlines offices in Kampala said a telex from the government of the United Arab Emirates gave no reason for the decision. In Kampala newspaper Telecast which is close to the Ugandan government, said Dubai imposed the ban because of the large number of Ugandan women engaging in immoral activities in the Emirate. Uganda's reputation as a centre of the disease AIDS was also a factor in Dubai's decision, it added. The ban led Uganda Airlines to cancel this week's flight to Dubai because the majority of passengers were women, airline officials said. The airline had already limited the number of women on any flight to 25 after several Ugandan businesswomen were arrested in Dubai last year on suspicion of engaging in immoral acts. [Text] [Amman JORDAN TIMES in English 28 Feb 87 p 8] /9317

CSO: 4400/168

GANDHI HOLDS STRATEGY SESSION ON SRI LANKA

Madras THE HINDU in English 28 Feb 87 p 1

[Article by G.K. Reddy]

[Text] The Prime Minister, Mr. Rajiv Gandhi, today held a high-level strategy session to consider what India could do in the prevailing circumstances to cope with the worsening Sri Lanka situation.

The meeting was attended among others by the External Affairs Minister, Mr. N. D. Tiwari, the Minister of State, Mr. K. Natwar Singh, the Minister of State in the Ministry of Home Affairs, Mr. P. Chidambaram, the Foreign Secretary, Mr. K. P. S. Menon, and other senior officials and intelligence chiefs who have been dealing with this tragic problem.

The Sri Lankan High Commissioner to India, Mr. Bernard Tilakaratne, who had been called to Colombo for consultations in the wake of the three-point Indian plea for an immediate suspension of all military operations, a withdrawal of the economic and communications blockade and a categorical reaffirmation of the December 19 proposals for creating a Tamil majority Eastern Province, has returned to Delhi presumably with some message from his Government. He is due to meet the Indian mediators during the week-end to clarify the Sri Lankan position.

Extraordinary stand

But the Government of India is taking the stand that since the Sri Lankan Government had started unilaterally and without any immediate provocation a massive military offensive both in the Northern and Eastern provinces after December 19, the Indian mediatory efforts cannot be resumed until it calls off these operations. In its response to the Indian three-point plea, the Sri Lankan Government had taken the extraordinary stand that the Liberation Tigers of Tamil Eelam should cease hostilities and desist from setting up a parallel administration, before the security forces can halt their military operations.

This totally unacceptable Sri Lankan stand has compelled India not only to suspend its mediatory efforts but even ignore the offer of Mr. J. R. Jayewardene to send a senior Cabinet Minister to Delhi for further discussions. The position that emerged from today's high-level discussions is that the Government of India thinks that

no useful purpose would be served by engaging in this futile exercise, while the Sri Lankan army is continuing its military operations.

Though the communication from Colombo that Mr. Jayewardene would like to send his Minister for Land Development, Mr. Gamini Disanayake, was received a week ago, the Government of India has not bothered to respond to this suggestion. It is taking the stand that, since the Sri Lankan Government has not followed up its earlier communication by proposing some tentative dates for the visit, it does not feel called upon to pursue this matter further in the present circumstances.

Mr. Natwar Singh, who has been dealing with Sri Lanka in the Ministry of External Affairs, is leaving on March 1, on a week-long trip to Thailand, Malaysia, Indonesia, Brunei and Singapore. The next day after he returns on March 7, the External Affairs Minister, Mr. Tiwari, will be proceeding to Guyana to attend the Foreign Ministers level meeting of the non-aligned community on the Central American situation.

The Prime Minister, Mr. Rajiv Gandhi, will be away from March 5 to 7 campaigning in Kerala and West Bengal, besides being preoccupied with the visits of the Dutch Premier, Mr. R. F. M. Lubbers, and the French Foreign Minister, Mr. Jean Bernard Raimond, before plunging himself in this election campaign.

It is, therefore, difficult to visualise what the Government of India can do in the course of the next week to regain the lost initiative in its mediatory efforts. But it cannot also afford to allow the situation to drift and get out of control with the Sri Lankan army bent on pressing forward with its military operations.

This agonising dilemma will get worse if the threatened offensive is launched to regain control over the Jaffna peninsula by intensifying the military pressures on the LTTE cadres entrenched there. And for the time being, at any rate, the Indian mediators seem to have opted for a wait and watch policy in the absence of any other alternative to compel Mr. Jayewardene to call off the military operations.

TEXT OF INDIAN MESSAGE, SRI LANKA RESPONSE

Madras THE HINDU in English 21 Feb 87 p 9

[Text]

A response is awaited from the Government of India to the Sri Lankan Government's response, dated February 12, to the Government of India's message delivered to Mr. J. R. Jayewardene on February 9 by the Indian High Commissioner, Mr. J. N. Dixit.

The substance and details of the respective positions were presented, in full text, by Mr. Jayewardene in his address to the Sri Lankan Parliament on Thursday. Here are the texts of the original Indian message and Colombo's response:

Inc"an message

Message from the Prime Minister and the Government of India to the President and Government of Sri Lanka, delivered in Colombo on Monday, February 9:

"1. As far as the current military operations against the Tamil civilians continue, and other discriminatory measures like economic and communications blockade affecting civilians exist, India is not in a position to resume discussions with Tamil militants. While this is so for the present, India will remain willing to resume the peace process if and when these actions are withdrawn.

"2. India is firmly of the view that the proposals which emerged on the 19th of December, after Mr. Natwar Singh and Mr. Chidambaram's visit to Colombo, must clearly be affirmed by the Government of Sri Lanka as a basis and only a beginning point for further negotiations. India is also of the view that the final framework of a solution based on those proposals can only be forged when (the) Sri Lankan Government and the Tamil side come together again for negotiations.

"3. If the Government of Sri Lanka continues the economic blockade and military operations against Tamils, prospects of violence will increase. India's assessment is that the conflict will be prolonged and will escalate."

The response from the President and Government of Sri Lanka to the Prime Minister and Government of India was handed over by Mr. Jayewardene to Mr. Dixit on Thursday, February 12. It was worded as follows:

Colombo's response**"Introduction**

"The response to the Government of India's message being given below is predicated on the clear understanding that all further discussions to be held or solutions to be evolved shall be within the framework of the Independence, Territorial integrity and Unity of Sri Lanka.

"1. If the armed separatists (LTTE) agree to cease armed violent operations and related military preparations and desist from any activity aimed at setting up, or interfering with, the legal administration of the area, and this is announced by them, the Government of Sri Lanka would ensure that the Armed Forces will not carry out any further military operations in the area during this period.

"2. When hostilities cease, in terms of para 1 above, the embargo (ON THE MOVEMENT OF CERTAIN COMMODITIES), now in force in the Jaffna peninsula will be lifted.

"2. a. If the LTTE is prepared to attend talks with the representatives of the Government of Sri Lanka towards a peaceful solution of the ethnic problem, appropriate talks may be held in New Delhi with the assistance of the representatives of the Indian Government. The Government of Sri Lanka expects the Government of India to underwrite the implementation of any agreement so reached.

"3. Upon the armed separatists giving up their arms—a vital step in strengthening the civil administration—a general amnesty will be given to them by the President of Sri Lanka.

"4. When talks towards a peaceful solution to the ethnic problem commence, the Government of Sri Lanka will release those persons now held in custody under the Prevention of Terrorism Act who have no charges against them.

"5. In all these proceedings the mediatory role and the good offices of the Government of India are relevant. The Government of Sri Lanka reaffirms that the results of the discussions held so far, including the proposals of 19th December, 1986, will be the basis for evolving a durable solution.

"6. The Government of Sri Lanka is agreeable to an early date being fixed for the negotiations."

PRESS ON DEVELOPMENTS IN RELATIONS WITH PAKISTAN

Outcome of Zia Visit

Madras THE HINDU in English 23 Feb 87 p 9

[Text]

NEW DELHI, Feb. 22.

A modest plan to unfreeze the bilateral relationship appears to have emerged from the discussions of the Pakistan President, Gen. Zia-ul-Haq, with the Prime Minister, Mr. Rajiv Gandhi, during his current visit here.

The two leaders decided that the India-Pakistan Joint Commission be activated as a starting point of a new round of the dialogue that was stalled last year. There is nothing original about this move, for a meeting of the Joint Commission had been envisaged in the schedule of measures, worked out by Mr. Gandhi and Gen. Zia in December 1985. What is important is that a new push has now been given at the highest political level to the confidence-building process.

Another important outcome of the visit, as Gen. Zia saw it, was the re-establishment of communications between the two countries. At the lower level, this gap was filled earlier this month when the Foreign Secretaries met to thrash out a plan for de-escalating the tension caused by the army build-up on two sides of the border.

Calculated silence: There was no occasion here for the correspondents to see the visiting President, not even a brief opportunity to put a few queries, as was customary in the case of visiting dignitaries in the past. On its part the Foreign Office maintained a calculated silence which contrasted sharply with the flow of words from its publicity channels on lesser occasions.

A few brief remarks by Gen. Zia, at Jaipur airport, soon after his arrival there, provided the first authoritative indication of how the talks had gone on. However, what he said was couched in generalities. The talks with Mr.

Gandhi, said Gen. Zia, were warm and pleasant and helped in reducing the tension. In response to a query on the proposal for a no-war pact, the Pakistan President said that the first clause of the February 4 agreement between the Foreign Secretaries, committing the two countries not to attack each other's territory, achieved the same result. This agreement, he hoped, would get some permanency.

Similarly, he did not appear to take a grim view of the delay in the signing of the agreement not to attack each other's nuclear facilities. There was no ambiguity about the undertaking, he said, expressing the hope that the job of putting it in writing would be completed soon.

Pakistan, he said, was against war and terrorism of any kind. The reference to 'terrorism' was significant and was obviously intended to repeat the public assurance that Pakistan was not aiding or abetting the terrorists in Punjab.

Strange attitudes: Gen. Zia's visit to the dargah of Kwaja Moinuddin Chisti at Ajmer has generated strange attitudes in both India and Pakistan. In his home country, critics found fault with him for undertaking the visit even in the face of the lukewarm attitude of India. A section of his opponents described it as the second phase of appeasement of India, the first, according to them, being the agreement on the pull-out of troops. In India, the Government was apparently taken aback by the abruptness of the Pakistan President's suggestion that he would like to come here for watching cricket. The none too subtle means used to play down the visit only suggested that New Delhi was at a loss to fathom the motives behind it. Whether the Government is any wiser now will be known only when Gen. Zia returns home.

Objectives of Consalves Delegation

Madras THE HINDU in English 27 Feb 87 p 1

[Article by G. K. Reddy]

[Text]

NEW DELHI, Feb. 26

An Indian delegation led by the Secretary in the Ministry of External Affairs, Mr. Alfred Gonsalves, left for Islamabad today for the second round of talks on troop withdrawals to de-escalate the border tensions.

There are still a million troops massed on either side of the lengthy border from Jammu and Kashmir through Punjab to Rajasthan down the Rann of Kutch to the Arabian Sea coast.

Despite the withdrawal of an estimated 75,000 troops by the two countries from the Ravi Chenab corridor, the rest of the Indian and Pakistani forces now deployed in different sectors at varying distances from their battle stations are due to be pulled back to their normal peace-time locations in a phased manner on the basis of an agreed schedule of withdrawals to be worked out by the two delegations.

Tricky situation

But more immediately the second round of talks in Islamabad which commence tomorrow has to come to grips with a tricky situation. Though Pakistan has withdrawn its Northern Army Reserve consisting of the 6th Armoured Division and the 17th Infantry Division from the Shakargarh bulge, it is highly unlikely that Islamabad will agree to pull back its Southern Army Reserve consisting of the 1st Armoured Division and the 37th Infantry Division from the Ravi-Sutlej corridor, until India has completed Operation Brasstacks and started dispersing the formidable force assembled in southern Rajasthan for this exercise.

The Indian negotiators have gone with a set of alternative suggestions for thinning out the forces on either side from the proximity of the border in different sectors even during the Operation Brasstacks without prejudice to their overall tactical positions. It remains to be seen how Pakistan is going to react to these suggestions, since it has been insisting that the withdrawals should take place at two levels—the troops

that moved out to the forward positions from their cantonments within these corridors should go back to their normal locations, followed by a complete withdrawal of the new forces that had been inducted into these corridors from outside during the recent confrontation.

Changed phase

The final phase of the Brasstacks exercise which was initially planned as an east-west operation between offensive and defensive formations has been changed to a north-south one to eliminate any apprehensions that Pakistan might entertain, although the exercise is taking place at least 80 km away from the border over a 1,000 sq.km. area in southern Rajasthan. It involved relocation of the two armoured divisions, one mechanised infantry division and several infantry divisions, besides some independent brigades and other support formations to change this pattern.

The Defence Ministry which has been very tight lipped about the scope and duration of this exercise has now reversed its policy and invited not only foreign military attaches but also some foreign correspondents to get a few glimpses of this massive exercise and satisfy themselves that there is no hostile intent behind it. This step is being taken on the eve of the U.S. Congressional hearings on the new military aid package to Pakistan to ensure that the members of the Senate and the House of Representatives are not misled by mischievous propaganda that India has massed a formidable array of Soviet-supplied equipment on Pakistan's borders to brow-beat and even threaten this frontline State which as an ally of the U.S. was in need of more sophisticated weaponry including AWACS to cope with a combination of Indian and Soviet pressures on it.

The Indian delegation has gone to Islamabad with a flexible brief to keep up the tempo of de-escalation even with limited accords in other sectors, without waiting for the conclusion of Operation Brasstacks by the end of March, when the third round of talks are due to be held in Delhi.

Details of Agreement

New Delhi PATRIOT in English 3 Mar 87 p 1

[Text]

Islamabad, March 2 (PTI):

India and Pakistan today signed an agreement which would cover the pull-out of nearly 70 per cent of their troops deployed close to their

common border in Rajasthan extending up to Rann of Kutch on one end and Punjab on the other.

The Indian triennial military exercise, codenamed "Brasstacks", would go on unhindered and troops in the exercise area in Rajasthan would start moving to peace-time locations a day after its completion on 15 March.

The Indian troops would continue to remain deployed in sensitive Punjab with Pakistan raising no objection to New Delhi's decision to keep the border sealed to prevent illegal trans-border movement of terrorists, smugglers and drug traffickers.

The agreement was signed this morning by Mr A S Gonsalves, secretary in the Ministry of External Affairs, and Mr Abdus Sa'at, Pakistan's foreign secretary, after over three days of hectic talks.

A Pakistan foreign office spokesman expressed his country's satisfaction with the agreement and said it would take the process of de-escalation two significant steps forward.

Monday's agreement would cover pullout of Indian and Pakistani troops in two sectors.

In the sector south of Chhor in Sind (Pakistan) and Barmer in Rajasthan (India), about 40,000 to 50,000 Indian

and Pakistani troops are to return to their peace-time positions within 15 days from today.

In the sector from Chhor to Mandi Sadiqqanj in Punjab (Pakistan) and from Barmer to Hindumalkot in Rajasthan, the pull-out would begin on 16 March.

The agreement in this sector did



not provide for a precise time-frame for the pull-out for the reason that the Indian Government was yet to work out an exact time-table for the disassembly of its troops taking part in the 'Brasstacks' exercise, the spokesman said.

The spokesman said the Indian side

was expected to give a time-frame in about 10 days time. Both sides were keen to complete the pull-out expeditiously.

As part of the 4 February agreement signed in New Delhi, India and Pakistan had pulled out and pulled back about 150,000 troops from the Ravi-Chenab corridor within 15 days of the signing of the accord.

A Pakistani delegation would visit New Delhi, possibly in April, to discuss further withdrawal of troops in the remaining one small sector in Rajasthan.

A special presidential jet flew the Indian delegation to Lahore from where it is scheduled to catch the Indian Airlines evening flight to New Delhi.

UNI adds: Prime Minister Rajiv Gandhi has expressed satisfaction at the completion of pull-out of troops from the Ravi-Chenab corridor.

A letter to this effect was delivered to Pakistan Prime Minister Muhammad Khan Junejo by secretary in the External Affairs Ministry Alfred Gonsalves when the latter called on Mr Junejo here yesterday.

On this occasion, Mr Gonsalves and other senior members of the visiting Indian delegation apprised Mr Junejo of the progress made in the second round of consultations on de-escalation of tension on the Indo-Pakistan border.

/9274

CSO: 4600/1499

REPORTAGE ON VISIT OF IRANIAN DELEGATION

Purpose of Talks

Madras THE HINDU in English 18 Feb 87 p 9

[Text]

NEW DELHI, Feb. 17.

An Indian delegation led by Mr. Alfred Gonsalves, Secretary in the External Affairs Ministry, had talks today with an Iranian delegation headed by Dr. Mohammed Javed Larijani, Deputy Minister in the Iranian Foreign Affairs Ministry dealing with economic affairs and international relations.

Following these detailed discussions, the External Affairs Minister, Mr. N. D. Tiwari, will meet his Iranian counterpart, Mr. Ali Akbar Velayati on Thursday for discussions on a range of areas identified by three sub-commissions for the plenary meeting today.

An official spokesman of the External Affairs Ministry said today that India and Iran were having traditional friendly ties and even in the recent times high-level delegations had visited each other's country. The Iranian Foreign Minister visited India last year and the Prime Minister, Mr. Rajiv Gandhi met the President, Khamenei of Iran at the Non-aligned summit in Zimbabwe.

The main purpose of the current meetings is to convert the sound political ties between both nations into strong economic and trade links. Due to India importing petroleum from Iran, the Indo-Iranian trade is strongly tilted in favour of exports from Iran to India. Economic ties that at one stage were on the take-off stage suffered a setback as a result of the Iran-Iraq war. In 1985-86 India exported goods worth Rs.94.67 crores to Iran and imported goods worth Rs. 924.10 crores.

The major exports from India have been tea, jeeps in a completely knocked down condition, machine tools, automotive parts, etc. India has been making efforts to increase its exports to Iran. In December, the Minister of State in the Industry Ministry, Mr. M. Arunachalam visited Iran. Efforts are on to enhance the scale of cooperation in the area of industry such as cement and textiles and small-scale industries, machine tools, railway equipment etc. The issue of payment for the Kudremukh project is also likely to come up for discussion.

At today's meeting the Indian side reiterated its desire to strengthen the economic bi-lateral links in keeping with the political desire to have better relations. Three subcommittees of the Joint Commission focussing on commerce, industrial collaboration and information and culture have been meeting separately to prepare the ground for the plenary meeting today and the meeting of the Joint Commission when the two foreign Ministers will also participate. The outcome of the meetings is likely to be known by the end of the week.

Kudremukh Issue Discussed

New Delhi PATRIOT in English 18 Feb 87 p 10

[Text]

India and Iran on Tuesday agreed that the long pending issue of Kudremukh iron ore project is resolved as soon as possible, reports PTI.

Iran had promised to finance the project with buy back arrangements during the regime of the Shah but after the new regime took over efforts to revive the project have failed.

The two countries met at the official level in Delhi on Tuesday to prepare the ground for the meeting of the joint commission

commencing on 20 February.

The focus of Tuesday's discussion was on strengthening economic ties that would reflect the close friendly relations between the two nations, according to the spokesman of the External Affairs Ministry.

India has an adverse balance of trade with Iran on account of crude oil imports and the two sides will explore possibility of bridging the gap by stepping up Indian exports of railway wagons, machine tools, tea and through industrial cooperation.

Ministers' Meeting Reported

Madras THE HINDU in English 20 Feb 87 p 9

[Text]

NEW DELHI, Feb. 19.

The Foreign Minister of Iran, Dr. Ali Akbar Velayati, today expressed a desire to strengthen economic and commercial links with India. At a meeting with the Union Commerce Minister, Mr. P. Shiv Shanker, he suggested that India could consider direct import of crude oil from Iran.

Mr. Shiv Shanker told the visiting Foreign Minister, now here for a meeting of the Indo-Iranian joint commission, that India attached a lot of importance to increasing trade with Iran. The balance of trade with Iran continued to be adverse for India and steps would have to be taken to rectify the chronic imbalance through the expansion of trade both ways.

Mr. Shiv Shanker expressed India's continuing interest in importing oil from Iran but

stressed that the existing imbalance would have to be corrected through increased exports from India.

The turnover of Indo-Iranian trade in 1985-86 was of the order of Rs.1,018 crores. Of this Indian imports accounted for over Rs.924 crores, while exports to Iran amounted to less than Rs.95 crores.

Dr. Velayati, who arrived here last night, today called on the Prime Minister, Mr. Rajiv Gandhi to exchange views on bilateral matters and the international situation, particularly the Gulf war.

He had detailed discussions with the External Affairs Minister Mr. N. D. Tiwari before co-chairing with him the fourth session of the Indo-Iranian joint commission. —Our Special Correspondent

Commission Meeting

New Delhi PATRIOT in English 20 Feb 87 p 6

[Text]

Iranian Foreign Minister Ali Akbar Velayati on Thursday agreed to India's suggestion that the two countries concentrate on a few specific projects of economic cooperation and specified increases in bilateral trade, and offered to sell to India crude oil directly, on term contract basis.

At the opening day of the two-day

Indo-Iranian Joint Commission session, Mr Velayati also agreed with External Affairs Minister N D Tiwari's suggestion that senior officials of the two sides examine specific areas for expansion of bilateral trade.

Later calling on Commerce Minister P Shiv Shanker, Mr Velayati offered crude supply to India on term

contract basis. While expressing willingness to import Iranian crude, Mr Shiv Shanker underlined the need for balanced bilateral trade, now heavily weighted in Iran's favour.

Both Mr Tiwari and Mr Shiv Shanker drew Mr Velayati's attention to India's adverse trade balance, and suggested that Iran import several other engineering and industrial commodities from India, besides the bulk imports of tea and spices.

While Mr Shiv Shanker emphasised that steps must be taken to rectify the chronic trade imbalance at the Joint Commission session, Mr Ti-

wari offered to transfer technology in cement and textile sectors and diversify trade. Nearly 90 per cent of Indian imports from Iran constitute crude.

During the day's session Mr Velayati also agreed to cooperate in setting up industrial projects in Iran and expressed his country's willingness to include engineering goods among its imports from India.

Mr Tiwari drew Mr Velayati's attention to the technological development in India and hoped Iran would cooperate in efforts to enhance bilateral economic relations.

During the talks, the issue of Kudremukh iron ore project also came

up. The dispute was not insoluble and both sides should try to solve it at the earliest, Mr Velayati said.

Earlier in the morning, the Iranian Foreign Minister called on Prime Minister Rajiv Gandhi and conveyed to him "warm and personal greetings" from the Iranian leadership. He expressed Iran's support to India's initiative in launching the Africa Fund, and expressed identity of views on the situation in South Africa.

The Iran-Iraq war and the situation in the Gulf region also figured in the talks, but was discussed in greater detail at all joint commission session, an official spokesman said.

Agreement Reached

Madras THE HINDU in English 21 Feb 87 p 9

[Text]

NEW DELHI, Feb. 20.

Iran has agreed to purchase traditional and non-traditional Indian goods to the extent of 50 per cent of the value of crude purchases India may decide to make in any future contracts. This significant agreement was worked out at the meeting of the Indo-Iranian Joint Commission this week.

The agreed minutes of the four-day meeting were signed by Mr. N. D. Tiwari, External Affairs Minister and his Iranian counterpart, Dr. Ali Akbar Velayati, at the airport prior to Dr. Veayati's departure.

The joint commission looked at the gamut of Indo-Iranian relations through three subcommittees devoted to culture, science and technology and information cooperation, trade and industrial cooperation.

A spokesman of the External Affairs Ministry described the understanding as "potentially significant." + considering that India's imports from Iran in 1985-86 amounted to Rs. 920 crores (of which 90 per cent was crude oil), this agreement will be a major boost to Indian exports which were less than one-third of Iranian exports to this country.

Another agreement pertained to Indian tenders for the supply of Rs. 85 crores worth of tex-

tiles, autospare, machine tools, and leather goods. An Indian delegation would visit Teheran in the next three months to work out the modalities for the contracts.

Kudremukh project: Both sides also agreed to resolve the Kudremukh iron ore project issue by December 1987. An Iranian delegation will visit India in the coming months to begin talks on the project.

In the area of industrial cooperation, it was agreed to expand industrial and technical co-operation in a number of identified areas which include, small-scale industries, rural industry, cement plants, textile machinery, automotive sector, machine tools, railways, road construction, foundry and steel sector industries. India will assist Iran in training its personnel in the area of continuous casting technology, coke oven operations and rolling mills. Iran will also utilise the Indian training facilities in agriculture and fisheries. Indian experts will also be used in other areas like economic and financial planning.

In the field of cultural and other exchanges, it was agreed that the Iran Government would help revive the Indo-Iranian Friendship Society. Teheran will also ease the difficulties in the travel of Indian students, businessmen and journalists to Iran. The two Governments will also expand radio and TV cooperation.

/9274

CSO: 4600/1496

GANDHI SPEAKS TO CONGRESS PARLIAMENT GROUP

Bombay THE TIMES OF INDIA in English 23 Feb 87 p 1

[Text]

THE Prime Minister, Mr. Rajiv Gandhi, today hinted at the possibility of a new legislation being introduced to combat terrorism.

He ruled out the opposition demand for sending the army to Punjab on the ground that the battle for democracy could not be fought with the help of the army and the police.

Addressing the general body meeting of the Congress Parliamentary Party (C.P.P.) on the eve of the budget session in the central hall of parliament this evening, Mr. Gandhi referred to his talks with the Pakistan President, Gen. Zia-ul-Haq, on some issues in the context of the agreement arrived at between the home secretaries on the sealing of the Indo-Pak border to check the activities of smugglers, extremists and terrorists.

Regarding the new legislation, Mr. Gandhi said that this could be done, if the need was felt, following a proper debate on the various accords reached in Punjab, Assam and Mizoram.

Stoutly defending the accords, which he said had been the subject of much criticism, he asserted that they had helped the democratic process and long-standing issues had been resolved through them.

"If, after such a debate had taken place, it was felt necessary to introduce a new legislation to combat terrorism, it could be done in this session or the next session of Parliament.

Referring to his talks with Gen. Zia,

he gave the background of the situation in which the misunderstanding had arisen between India and Pakistan because of the deployment of troops on the border by Pakistan and how the tension had been de-escalated through talks.

At the same time, he spoke of India's defence preparedness and maintained that India's defence forces were superior to Pakistan's, he remarked.

On Punjab, the Prime Minister congratulated the chief minister, Mr. S.S. Barnala, for standing up courageously against terrorism and warmly welcomed the expression of the Sikh community's faith and trust in Mr. Barnala, as was evident from the historic resolution at Longowal village on February 20.

The Prime Minister also commended the manner in which the Barnala government was trying to separate religion from politics.

Stating that the Punjab government deserved the Centre's unstinted support on this issue, he took note of the fact that the opposition parties were also fully supporting him in these efforts.

The problem of Punjab, he said, could be solved only by showing patience and fortitude. It was necessary to remove fear of terrorism from the minds of the people of Punjab.

Members of Parliament would also have to discuss the Punjab problem in a dispassionate manner, as it was only through peaceful means that a solution could be found.

On the Sri Lankan problem, Mr. Gandhi said that military action was not the solution. There would have to

be a political basis for negotiating a solution. Until this approach was adopted, a solution would be difficult to find.

In this context, the Prime Minister referred to the visit to Colombo on December 19 last by two ministers, Mr. Chidambaram and Mr. Natwar Singh, and their talks with the Lankan President, Mr. J. R. Jayewardene. The Sri Lankan President had given certain proposals to them, but later he had withdrawn on certain points.

Expressing sympathy for the Tamils, Mr. Gandhi stated that no solution was possible until military operations were stopped.

Turning to the economic situation, Mr. Gandhi said that the economy was in a very good shape. "We have not changed the basic policies, but we have given a new thrust, a new direction and a new look to the economic policy. The net results have been gratifying," he added.

Citing statistics, he said that the growth rate had been over five per cent in two successive years of the seventh plan. The industrial growth rate was over eight per cent or almost nine per cent.

The Prime Minister ruled out the privatisation of the public sector and said it had done well in the last two years.

He also assailed those who were criticising the government's anti-poverty programmes and drew a distinction between pro-poor and anti-poverty programmes. The whole thrust of these programmes was to improve the status of the poorest of the poor, he said.

/13104

CSO: 4600/1511

TEXT OF PRESIDENT'S ADDRESS TO PARLIAMENT OPENING

New Delhi PATRIOT in English 24 Feb 87 p 5

[Text] This is the full text of the address by the President to Parliament

It gives me great pleasure to welcome you to this first session of Parliament in 1987. I extend to you my best wishes for the successful completion of the budgetary and legislative business ahead.

In 1986 many of the gains made from the thorough and comprehensive policy changes initiated in several key areas were consolidated. At the same time it was a year in which the country was called upon to grapple with challenges, external as well as internal, to its unity and integrity. Our secular, democratic structure is boldly facing the forces of communalism and separatism. Nothing will ever shake the people of India from their adherence to the basic principles of democracy secularism and socialism which inform our Republic.

In Punjab the forces of democracy, unity, progress and secularism continue to be engaged in the struggle to isolate and wipe out the anti-national elements which are guided and controlled by foreign sources. Under the leadership of Chief Minister S S Barnala, the State Government and the people of Punjab, have shown exemplary courage in upholding the values of secular democracy. The people of Punjab have always been in the forefront to defend the unity and integrity of India. They played a historic role in the freedom struggle which has left the imperishable imprint of secularism and democracy on their mind and spirit. It is, therefore, not surprising that they have stood up to the blatantly unconstitutional effort to subvert the democratic process through a sinister exploitation of religious sentiments.

" In flagrant violation of the sacred tenets and traditions of the great religion founded by Guru Nanak, a small section has turned religious functionaries and holy shrines into instruments of terror and subversion. Today this is the central issue in Punjab. Government will not allow the enemies of India's unity and integrity to abuse and misuse religion for their nefarious ends of creating communal disharmony and of unleashing violence and hatred in Punjab. All patriotic, secular, democratic and progressive forces have to unite to build the strength of the people to overcome the reactionary, fascist and anti-national elements who are misguiding and confusing the masses in the name of religion. The challenge faces us all. No one can remain on the sidelines.

As the nation approaches the 40th anniversary of our freedom, it is fully conscious of the dangers posed by religious obscurantism and communalism. It was in April 1948 that the Constituent Assembly (Legislative) passed a resolution calling upon Government to take steps to eliminate communalism from India's political life. The Father of the Nation had been assassinated barely two months earlier. Memories of the ghastly killings were still fresh in the minds of our constitution makers. The threat to the unity of India from communalism loomed large before them. As we went ahead on our path of planned development, we began to assume that social and economic progress would automatically weaken the communal outlook.

Experience has, however, shown that the communal and fundamentalist forces, aided and abetted by exter-

nal elements, are challenging our basic values' of nationalism, secularism, democracy and socialism. Indiraji's martyrdom was to defend the same sacred cause of the unity and integrity of India against the evil designs of communalists and reactionaries. These nefarious forces constitute a deeper malady which has persisted in spite of demonstrable progress in socio-economic sphere. **The situation clearly calls for a reappraisal and Government propose a national dialogue for this purpose.** Our precious heritage of unity in diversity can be preserved only by fighting all divisive forces.

There can be no better way of celebrating the 40th anniversary of freedom and the birth centenary of the architect of modern India, Jawaharlal Nehru, than concerted and resolute action to remove the cancerous cells of communalism from our body politic. The National Committee for these celebrations, headed by the Vice-President of India, will devise a comprehensive programme to inculcate secular values and scientific temper.

While the Government were engaged in controlling extremist activities in Punjab, a new danger appeared on our borders. In January 1987, Pakistan deployed strike formations in a menacing posture threatening Punjab and Jammu & Kashmir. As members are aware, our borders are largely manned by para-military forces. Faced with this situation, the Government had to deploy our armed forces for safeguarding the borders. Serious tension was generated by the forward movement of Pakistani forces.

The Prime Minister took the initiative for immediate talks between the two Governments. An agreement on measures to de-escalate the situation was reached during negotiations between the two Governments held in Delhi recently and Pakistan agreed to withdraw their Army Reserve North from the Ravi-Chenab corridor. Further talks will be held in Islamabad. India's policy is based on peace and cooperation with all nations. Government have taken various measures to strengthen cooperation with our neighbours. While determined to preserve our sovereignty and integrity, India is prepared to remove all causes of tension and distrust between the two countries in the spirit of bilateral cooperation embodied in the Shimla Agreement.

The Mizoram Accord, signed in 1986, brought to an end decades of insurgency and strife in that beautiful part of our country. Pursuant to this Accord, Statehood has been conferred on Mizoram and elections have been held. A new Government has taken office.

The aspirations of the people of Arunachal Pradesh for a full-fledged State have been fulfilled by the enactment of parliamentary legislation to confer the Statehood on Arunachal Pradesh. The new State came into existence on 20 February 1987. A new chapter in the history of the people of Arunachal Pradesh has begun.

The Government is committed to safeguarding the rights and interests of minorities. The solemn assurances contained in our constitution regarding religious, cultural and linguistic matters have been and are being implemented in letter and spirit. Government has continued to carefully monitor the implementation of the 15-point Programme formulated by Indira Gandhi to ameliorate the condition of minorities.

In my address on 20 February 1986 I had outlined the priority areas for 1986-87 and beyond. The main policy thrusts were:

formulation of the revised 20-Point Programme; formulation of the new education policy; formulation of technology missions to improve the condition of the rural and urban poor; new orientation to our agricultural policy and taking the green revolution to the eastern region; more effective strategy for family planning; intensification of industrial growth; promotion of exports and tourism; reforms in the administrative system and changes in electoral laws.

My Government have taken action in all these areas and positive results are beginning to flow:

The 20 Point Programme of 1986 has sharpened the focus on measures to eradicate poverty. The main features of the restructured programme are:

poverty alleviation programmes which aim at expansion of rural employment and improvement of productivity and production; programmes for ensuring justice to scheduled castes and scheduled tribes; reduction of income inequalities and removal of social and economic disparities; strengthening of the movement to ensure equal status for women; creation of new opportunities for youth; provision of safe drinking water for all villages; protec-

tion of environment; supply of energy for the villages and evolving a more responsive administration.

The new education policy has been formulated. It is an effective instrument in our fight against poverty. Its major aim is to reach out to the poor and the deprived and to place in their hands the means to gain control over their own destiny. **Programmes such as the Operation Blackboard, non-formal education, adult education, vocational education and Navodaya Vidyalayas will bring about qualitative changes in education.** They will directly help socially and economically backward sections of the community.

The new education policy will also strengthen national integration. We have emphasized the importance of spreading an awareness and involvement of all our people in the heritage of India. The newly established zonal cultural centres have begun undertaking this task with enthusiasm and have organised innovative festivals of our culture in Punjab, Rajasthan, Uttar Pradesh, West Bengal, Meghalaya, Gujarat, Maharashtra, Goa, Karnataka, Andhra Pradesh, Kerala, Tamilnadu, Arunachal Pradesh and Mizoram and *Apna Utsav* in the Capital.

Five technology missions have been set up in the following areas: drinking water for all villages; eradication of illiteracy; universal immunisation of children; production of oilseeds and manufacture of edible oils and improved communications.

The Government is considering issues relating to an effective management and monitoring system for the missions. The key idea here is to involve the people in activities relating to the missions so that they realise the potential for individual and social development.

The reorientation of agriculture policy has proceeded satisfactorily. Growth of productivity in the eastern region has vindicated government strategy. To increase and stabilise production and productivity in the major part of our land resources, a national programme of rainfed agriculture through watershed development has been launched during the current year in 16 major rainfed — dryland farming States. A national pulses development project, with an outlay of Rs 50 crore, has been started in 1986-87 to increase production of this essential protein crop.

We have formulated a new family planning strategy with major emphasis on voluntary acceptance of the two child norm. The programme will be integrated with health care, nutrition and education programmes. The Government has decided that the leading role in promotion of the family welfare programme should be played by voluntary agencies.

In the sphere of industry, the dynamic thrust for efficiency and modernisation has begun to show results. Industrial production has picked up significantly.

Intensive efforts have been made on the basis of a coordinated approach to **promote exports** of both primary commodities and manufactured products. In our strategy manufacturing has been assigned the role of growth sector. A concessional rate of duty has been allowed on imports of modern capital goods for export production. Contemporary technology is being permitted for the thrust sectors. Significant fiscal and financial measures such as the new cash compensatory scheme, the duty drawback system, availability of MODVAT in respect of 38 specified chapters, deduction in respect of profits for exports, sharp reduction in the rates of interest on pre-shipment and post-shipment credit for exports and the new computer software policy are intended to boost exports.

The process of reform in our administrative system has gathered momentum. There has been a positive response of the civil servants to the new imperatives of accountability, social responsibility and a new work ethic. The Government is determined to carry forward the task of bringing about qualitative improvements in Government management with the cooperation of all sections of the work force.

The basic structure of our electoral system has stood the test of time. It has ensured free and fair elections to Parliament and State Legislatures and has been recognised and acclaimed as such by the whole world. Based on the report of the Chief Election Commissioner of 1986, the Government has formulated certain suggestions, which are to be discussed with the various political parties and also thrown open to public debate. Necessary legislation will be initiated, as in the past, on the basis of consensus evolving from such discussions.

The year 1986 will be remembered for significant legislation

affecting important areas of national life. Stringent and comprehensive environment protection legislation has been enacted. It was brought into force on 19 November 1986 as a fitting tribute to the memory of Indira Gandhi who did more than anyone else to raise environmental consciousness.

The rights of the consumers are now part of the statute book.

Radical laws have been passed to improve the status of women.

The Suppression of Immoral Traffic in Women and Girls Act, 1956 was amended to protect all persons sexually exploited for commercial purposes. Stricter punishment has been prescribed for living on the earnings of prostitution of children and minors.

The Dowry Prohibition Act was amended, shifting the burden of proving that there was no demand for dowry on the person who takes or abets the taking of dowry. Offences under the Act have been made non-bailable.

Indecent Representation of Women (Prohibition) Act has been passed under which depiction of figure of a woman, her form or body, which has the effect of being indecent, derogatory or which denigrates woman has been made punishable.

A significant feature of these laws is that legal remedy can be invoked by citizens. In implementing these far-reaching laws, the cooperation of public spirited and socially conscious citizens is of vital importance.

Let me now turn to the major trends in the economy.

Notwithstanding an indifferent monsoon the growth in gross national product in 1986-87 will be around 5 per cent. Thus the targeted growth rate of the seventh Plan will be achieved for the second year in succession.

The foodgrain output will be somewhat higher than last year in spite of inadequate rains for the third year in succession. The Government is concerned over the fact that even though agricultural production has reached higher levels, it is showing signs of levelling off. It is partly the result of three consecutive years of poor precipitation. The basic strategy for increasing agricultural production is sound. Vigorous implementation of projects and programmes for increasing irrigation potential and popularising the use of high-

yielding varieties of seeds is expected to achieve the targeted growth rates of the seventh Plan. The Government has taken major policy initiatives to increase the domestic production of oilseeds.

The industrial infrastructure has performed remarkably well both in 1985-86 and 1986-87. The average annual growth rates for the last two years are likely to be 9.5 per cent in power, 6 per cent in coal, 7.7 per cent in saleable steel, 6.8 per cent in hot metal, 8 per cent in railway freight and 16.5 per cent in fertilizers. The significant aspect of the infrastructural scene is that annual performance has continuously improved, extending over every quarter. In many cases, the lowest production in a quarter has been higher than the highest production recorded in any quarter of the preceding year. The infrastructure has begun to use investments in an efficient manner.

The revised index of industrial production (base 1980-81=100), with a wider and more representative coverage than the old index, provides evidence of satisfactory industrial growth. In 1985-86 industrial production grew at the rate of 8.7 per cent. In 1986-87 growth rate is expected to be 7-8 per cent. There has been impressive growth in electronics during the previous two years at the rate of around 40 per cent per annum. The public sector has continued to play the key role in our economic development. At the end of 1985-86, the total investment in Central public enterprises stood at Rs 50,341 crore, registering an increase of Rs 14,947 crore compared with 1984-85. The financial performance of Central public enterprises has shown an encouraging trend. Measures have been taken to strengthen the autonomy of public enterprises and to make them accountable for results.

Public stocks of foodgrains have continued at high levels and stood at 23 million tonnes in December, 1986. This has enabled Government to make additional allocations of rice and wheat to States for public distribution, to provide rice and wheat at concessional rates to integrated tribal development projects and nutrition programmes and to make higher allocations for the National Rural Employment Programme and the Rural Labour Employment Guarantee Programme. Comfortable stocks of food-grains also enabled Government to give adequate quantities to drought-stricken States

for the food-for-work programmes.

There has been a major reorientation of policy to stimulate sugarcane and sugar production. The new two-year sugar policy aims at providing sugarcane farmers with more remunerative prices. It has also created a stable environment by announcement of the statutory minimum price a year in advance. As a result of this policy, sugar production increased by almost one million tonnes in 1985-86, and is expected to increase further in 1986-87. This has enabled Government to reduce sugar imports.

The technology mission for boosting oilseeds production has started functioning. A programme with an outlay of Rs 170 crore during 1986-90 has been launched to increase production of oilseeds to 18 million tonnes in 1989-90. In Kharif 1986, productivity of oilseeds is estimated to have gone up by 10 per cent and production by 7 per cent over Kharif 1985, despite adverse weather conditions which reduced acreage by 3 per cent. Edible oil imports were reduced to provide an incentive to domestic production. In 1985-86 imports were reduced by 55 per cent in value terms and over 15 per cent in quantity terms. Fiscal incentives have been provided to ensure processing of greater quantities of minor oilseeds and rice bran into edible oils.

In 1986-87, anti-poverty programmes received stronger emphasis. The Integrated Rural Development Programme (IRDP) and the employment programmes are the kingpin of the anti-poverty strategy. In 1986-87 an outlay of Rs 543.83 crore was provided for the Integrated Rural Development Programme. This may be compared with Rs 207.7 crore provided in 1984-85 and Rs 205.9 crore in 1985-86. Up to the end of December 1986, 2.07 million families have been assisted. New features have been introduced in the implementation of the programme. They are higher level of investment per family, provision for forward and backward linkages, emphasis on training of beneficiaries, involvement of voluntary organisations, introduction of concurrent evaluation and increasing the assistance to women. Under all these programmes the basic thrust is to provide maximum assistance to the poorest of the poor and to scheduled castes and scheduled tribes.

The National Rural Employment Programme and the Rural Landless Employment Guarantee Programme were strengthened in

1986-87. Employment aggregating to 550 million mandays is expected to be created. There has been a noteworthy step-up in outlays on NREP. In 1986-87, a total outlay of Rs 479.75 crore was provided by the Centre compared with Rs 230 crore for 1984-85 and Rs 337.21 crore for 1985-86. Under RLEGP, which is wholly funded by the Centre, an outlay of Rs 731.10 crore was provided for 1986-87 which may be compared with Rs 400 crore for 1984-85 and Rs 606.33 crore for 1985-86.

The 20-point programme of 1986 emphasises the provision of safe drinking water for all villages. In 1986-87, a total amount of Rs 794.05 crore was allocated for the drinking water programme in Central and State plans taken together. About 40,000 villages are expected to be covered exceeding the target of 35,930 villages. Special attention is being paid to provision of water supply for scheduled castes and scheduled tribes.

In 1986-87, the outlay for the Annual Plan was stepped up substantially. For the first time in our planning history, 40 per cent of the five-year Plan was financed in real terms in the first two years of the Plan period. In allocation of resources high priority was accorded to anti-poverty programmes and to strengthening the core sectors of the economy. A massive increase of 65 per cent was made in the outlay for major anti-poverty programmes. The outlays for agriculture, rural development and irrigation were stepped up by nearly 30 per cent. The plan provision for education was increased by 60 per cent.

The Central Plan for 1986-87 envisaged an outlay of Rs 22,300 crore, representing an increase of 20.5 per cent over the last year's outlay. The actual outlay of the plan is likely to be higher at around Rs 23,000 crore. Nothing could illustrate better the strong commitment of Government to the pivotal role of planning in India's development.

Government has taken steps to implement the basic proposals outlined in the long term fiscal policy. The tax structure is being reformed and simplified, strong emphasis has been laid on mobilising resources for development by better administration and enforcement to improve compliance; a stable fiscal environment is being created to stimulate savings and investment, and a more open approach has been adopted in regard to fiscal

policy.

Central Government revenues which increased by 23 per cent in 1985-86 have shown a further increase of over 17 per cent in April-December, 1986. Personal income-tax collection recorded an impressive growth of 30 per cent in 1985-86; they have grown by another 16 per cent in April-December, 1986. The continued buoyancy of Central revenues has vindicated Government's fundamental approach of reasonable tax rates combined with strict enforcement of tax laws.

A **Cabinet Committee on Exports** was set up to expedite decision making on policies and programmes for promotion of exports. Exports grew by 17.3 per cent in April-November, 1986 over the corresponding period of last year. Imports increased by only 1.4 per cent over the same period. As a result the trade deficit has shown a substantial decline. We cannot, however, afford to be complacent. The challenge of self-reliance and of building a fully independent economy demands unremitting effort.

In the current year, we crossed the one million mark in foreign tourist arrivals. Foreign exchange from tourism are estimated at Rs 1600 crore as compared to Rs 1300 crore during 1985-86. Domestic tourism is being given special importance to promote national integration. Central Government is providing assistance for wayside facilities, wildlife sanctuaries, sound and light shows, and cheaper tourist accommodation.

While impressive results have been achieved in the matter of resource mobilisation, a similar effort has to be directed to controlling expenditure. The imperatives of growth with social justice compel serious attention to the task of containing unproductive expenditure.

The consumer price index gives cause for concern. However, inflation, as measured by the wholesale price index has been kept within reasonable limits. **Government will continue to pursue policies to counteract inflationary trends in our economy.**

During the last two years, a positive trend of improvement was seen in **industrial relations**. Strikes and lockouts declined from 2094 in 1984 to 1716 in 1985 and 1234 in 1986 (January to October). The loss of mandays due to industrial disputes fell from 56.03 million mandays in 1984 to 29.37

million mandays in 1985 and 19.41 million mandays during 1986 (January to October). Government has taken a number of steps to ensure that unorganised workers receive entitled benefits.

Industrial workers have made a notable contribution to raising production and productivity in the last two years. Government is committed to safeguarding their interest and to enlist their cooperation for accelerated industrial growth.

The Government continued to pursue our non-aligned foreign policy objectives of peace, disarmament, development and cooperation with all nations for building an equitable world order.

The **Six Nation Five Continent Initiative** in which Argentina, Greece, India, Mexico, Sweden and Tanzania are taking part, has produced a favourable impact on public opinion throughout the world for intensive and sustained effort to bring about nuclear disarmament. At **Reykjavik** radical proposals for ending the nuclear arms race were placed on the table. It is unfortunate that no agreement was reached. We have continued to urge both the US and the USSR to persevere in their efforts to fulfil the aspirations of humankind for peace and for a world free from nuclear weapons.

At the **Non-aligned Summit at Harare**, India handed over the chairmanship of the movement to Zimbabwe. The Summit acclaimed the role our country has played in strengthening non-alignment and in reaffirming the basic objectives of the movement. The Summit entrusted to our Prime Minister the chairmanship of the newly established **Africa Fund Committee** to carry forward the struggle against apartheid and to support the efforts of the Frontline States. The Africa Fund Summit held in Delhi on 24-25 January, 1987 has given concrete shape to the concept articulated at Harare. The Government is convinced that comprehensive mandatory sanctions alone will compel the racist regime in South Africa to forestall bloodshed and listen to the voice of reason. Governments that are in a position to influence South Africa, because of their commercial and economic relations, have to mount pressure through comprehensive mandatory sanctions.

India's policy of expanding cooperation in our region has achieved significant results. The successful **SAARC** (South Asian Association for

Regional Cooperation) Summit held in Bangalore in November, 1986 under India's chairmanship has demonstrated the benefits of regional cooperation. A permanent secretariat of SAARC has since been established in Kathmandu. New areas including control of drug trafficking, children's welfare, broadcasting, tourism and scholarships have been identified for the programme of SAARC cooperation. Our Prime Minister took the opportunity of SAARC meeting to hold useful bilateral discussions.

Despite the set-back caused by the deployment by Pakistan of its troops on our borders, efforts are continuing to create a basis for cooperation with Pakistan. The main hurdles in the way of normalisation are Pakistan's clandestine effort to acquire nuclear weapons capability, its arms programme with serious implications for our security environment and its support to anti-national and secessionist elements in Punjab.

It is unfortunate that the promise held out by our bilateral discussions with Sri Lanka at Bangalore and of subsequent high level consultations in December, 1986 has received a set-back. The negotiating process has been hindered by the hesitations of the Government of Sri Lanka in regard to their own formula of 19 December, 1986. The massive military operations undertaken by the Sri Lanka security forces and the economic blockade of Jaffna area have created further complications. We are deeply affected by the hardship, suffering and loss of life of the Tamil civilian population of Sri Lanka. The ethnic issue in Sri Lanka can only be resolved through political dialogue.

My Government continues to strive for a just and peaceful settlement of **the border question with China**. The question remains crucial to full normalisation of our relations. The unfortunate development on the border continues to cause concern. Our position on the border question is well known. We are in discussion with China on the issue.

We uphold the unalienable rights of the Palestinian people. We support the liberation struggle of the peoples of Southern Africa. We have repeatedly urged an early end to the fratricidal war between Iraq and Iran. We continue to support the efforts of the Contadora group to achieve a peaceful and lasting settlement of the crisis in Central America. We have also supported the

UN Secretary General's initiative on Afghanistan. We welcome the flexible responses to the outstanding issues in regard to Afghanistan and trust that conditions will be created soon to ensure the status of Afghanistan as an independent, non-aligned country free from outside interference and intervention.

During the last year, I paid goodwill visits to Nepal, Greece, Poland and Yugoslavia. The Vice-President visited France and Botswana. The Prime Minister paid bilateral visits to the Maldives, Zambia, Zimbabwe, Angola, Tanzania, Mauritius, Mexico, Indonesia, Australia, New Zealand and Thailand. The Prime Minister also participated in the Commonwealth Heads of Government Review meeting in London, the Summit meeting of the Six Nation Five Continent Peace Initiative at Ixtapa and the Eighth Non-aligned Summit in Harare, besides visiting Sweden to attend the funeral of late Prime Minister Olof Palme.

We had the privilege to host the Prime Minister of Greece, the Prime Minister of the Republic of Korea, the Prime Minister of Turkey, the President of Seychelles, the Chancellor of the Federal Republic of Germany, the President of the African National Congress, the President of SWAPO, the President of Bangladesh, the Prime Minister of Yugoslavia, the President of Nicaragua, the Prime Minister of Zambia, the King of Jordan, the Prime Minister of Denmark, the President of Peru, the Prime Minister of Malaysia and the President of Finland. The then Prime Minister and the current President of the People's Democratic Republic of Yemen and the Prime Minister of Italy made transit visits to India. President Ziaul Haq of Pakistan paid an unofficial visit.

These bilateral visits have strengthened our friendly relations with these countries. A large number of agreements have been signed to further bilateral cooperation in economic, commercial, scientific and cultural fields.

In the context of the close and friendly relations that have characterised the four-decade history of **Indo-Soviet cooperation**, the visit of Mr Gorbachev, the General Secretary of CPSU, was a landmark. The Delhi Declaration signed by Mr Gorbachev and our Prime Minister has provided a qualitatively new framework for international relations based on

non-violence, justice and equality. It will have worldwide significance in establishing new attitudes and values relevant to the crucial problems of humanity.

The thrust of Government policy is to improve **the welfare of economically and socially weaker sections of the community.** The primary focus of policies and programmes initiated during the last two years has been to assist the landless agricultural labour, the small and marginal farmers, artisans and craftsmen, handloom weavers, women, children, the urban poor, scheduled castes and scheduled tribes and other backward classes. Our strategy of development will continue to strongly emphasize social justice as its foremost objective.

In spite of the many difficult problems we are facing, the people have high confidence in their capacity to build a strong and prosperous India. This confidence comes from our impressive achievements. India stands as a symbol of stability and progress. Our commitment to basic values and our determination to preserve our cultural heritage have enabled us to march forward with our head held high. We still have much to do. With the cooperation and unbounded enthusiasm of our people, my Government will take the country forward on its chosen path.

Our tasks are anchored to basic national priorities. National cohesion will be strengthened. Communalism will be fought tooth and nail. The anti-poverty programme will be implemented with vigour. The core sectors of our economy will be strengthened and expanded to ensure self-reliant growth. The energy and vitality of our youth will be harnessed to nation building. The spirit of sacrifice which permeated the struggle for freedom must be recaptured to face the challenges that confront us. A passion for nation building must fill our hearts. For the accomplishment of these momentous tasks, I give you my good wishes.

Jai Hind.

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CSO: 4600/1505

TEXT OF 1987-88 UNION BUDGET, MINISTER'S REMARKS

Text of Budget

Bombay THE TIMES OF INDIA in English 1 Mar 87 pp 14, 15

[Text]

NEW DELHI, February 28.

FOLLOWING is the text of the Prime Minister, Mr. Rajiv Gandhi's speech (part A) while presenting the Union budget for 1987-88 today.

Sir, I rise to present the budget for the year 1987-88.

Twenty-nine years ago, presenting the country's budget, Jawaharlal Nehru told this house:

"The times we live in and the problems that our country has to face do not permit a static or complacent approach or any avoidance of the burdens which inevitably accompany an attempt to advance with some speed....

"We have to strive with all our strength for our planned development by conserving all our resources, increasing production and trying to ensure progressively a more equitable distribution. And thus to raise the standards of the great mass of our people."

These are our objectives today.

When we came into office, we were fortunate in inheriting from Indiraji an economy that was sound. After the devastation of 1979-80, the inflation rate was brought down sharply. The growth rate was stepped up, and the infrastructure restored to health. We have built on these successes and initiated a process of reform in areas requiring urgent attention. This, I believe, we have been able to accomplish in large measure.

Our principal objectives are the elimination of poverty and the building of a strong, modern, self-reliant, independent economy. In these two years we have sharpened the focus on poverty alleviation. Direct outlays on anti-poverty programmes were substantially increased in the last budget. The 20-point programme (1986) was an-

nounced in August, taking advantage of high stocks of food, rural employment programmes were expanded. Two million tonnes of cereals were made available in tribal areas at highly subsidised rates. We launched an important scheme to enlarge employment opportunities for the urban poor. I have extensively toured and seen the work being done in the most backward and remote villages of our country. Talking to the people face to face, I know how much more needs to be done. I am also convinced that we are making progress in our struggle against poverty.

Agriculture is the bedrock of our economy. Growth in this sector is also crucial for the removal of poverty. Our farmers, farm technologists and scientists have turned India from a net importer of foodgrains living at the margin of survival to self-sufficiency. We are proud of them. We congratulate them.

We have reinforced the policies that have proved so successful. We are committed to providing remunerative prices, and increased availability of water, power, seeds, fertilizers and credit to our farmers. Foodgrain production will exceed 150 million tonnes despite a poor monsoon. We have increased incentives to our farmers to reduce our dependence on imports of sugar and edible oils. They have responded magnificently.

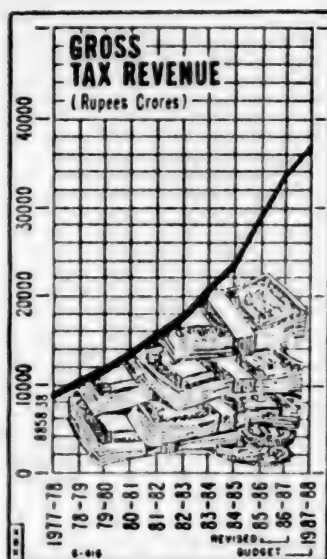
I am, however, concerned about the situation of agricultural labour. They are subject to exploitation. Government will appoint a national commission on rural labour. It will look into the working conditions of this vulnerable section of our society and the implementation of social legislation for their protection.

Tax reforms

Industry is forging ahead. Major initiatives for modernising industry and stimulating industrial investment were taken in the sixth plan. Our strategy in the seventh plan is to build on these initiatives to strengthen industrial performance. We are encouraging economies of scale in production, induction of modern technology and greater competition to increase production, reduce costs and improve quality. We have enhanced the incentives for small-scale units. There is clear evidence now that these policies are having the expected impact on the economy.

Our industrial base has widened. New industries have developed. The small-scale sector had expanded rapidly. A large number of new jobs has been created. In the three years beginning 1984-85, the growth rate in industry is expected to exceed eight per cent per annum on average. This has not happened in the last 20 years.

We have given high priority to the important task of tax reform. Our tax laws and rules had become complex. There was widespread evasion. Reform was vital. Our reform of the fiscal system, undertaken in the past two years, has been thorough-going. We have made tax rates and the tax structure reasonable. We have simpli-



fied laws and procedures. We have enforced these laws vigorously without fear or favour. This has helped the honest tax payer, and yielded more revenue than ever.

The public sector is the core of our industrial economy. I am also convinced that our public sector enterprises can be made as efficient as any in the world. I am glad to say that the infrastructure industries in the public sector are showing distinctly better performance. There has been a significant improvement in productivity in coal, power and railways. The improvement in thermal power generation is particularly striking. The plant load factor in the current year is the highest since 1976-77. The improvement in the functioning of infrastructure has been brought about by a change in the management culture, and better performance on the shop floor.

Government will further improve the working of public sector enterprises. We will enhance their autonomy, and make them accountable for results. Government will bring before Parliament a white paper on the public sector.

As a nation, we have good reason to be satisfied with our economic performance. During a period when growth rates in many developing countries have declined sharply, we have been able to accelerate growth and increase per capita incomes. We have avoided debt problems, and have kept inflation under control. Our food stocks and foreign exchange reserves are comfortable. These are important strengths. But we cannot afford to be complacent. The world environment, both political and economic, continues to be unfavourable. There are also important domestic problems that demand our attention.

High expenditure

The rapid growth in government expenditure is exerting mounting pressures on our fiscal balance. In the recent period, we have been compelled to increase defence expenditure. We shall spare no effort nor shrink from any sacrifice where our national security is concerned. At the same time, there are pressing requirements for development, any slackness in critical investments now will cost us heavily in the future. It is a social imperative to spend on programmes which directly benefit the poor and to provide food subsidy. We have had additional commitments arising out of implementation of the pay commission's report. Higher relief and grants had to be provided to several states severely affected by drought and flood.

Even so, some hard choices have to be made to keep our expenditure within our means. Government is determined to make them. The situation requires a throughgoing review of our expenditure policy. Mere scratching the surface will not help. Ad hoc and across-the-board cuts of the past, while providing temporary relief, have not yielded enduring results. There is no room for waste, ostentation or unproductive expenditure. We have to pull together and work harder than ever before to realise national goals.

We have a good record in price management. However, it will be a mistake to take too complacent a view of the price situation. The demand and supply balance in a developing economy is always delicate. Any external or internal disturbance can create difficulties. It is essential, therefore, to keep a careful watch on price situation.

The balance of payments has been under pressure. We had anticipated this and initiated a range of measures to curb the growth of imports and increase exports. These have yielded results. Exports increased by 17 per cent while imports increased by only about two per cent in the first nine months of the current year. The trade deficit is lower than last year by Rs. 1,000 crores. But there is much more to be done. Part of the improvement is due to the fall in oil prices and we cannot count on this. Government will remain fully vigilant on the external front.

The results of policies initiated in the last two years show that our direction is correct. I propose to use this year's budget to provide a new thrust in selected areas which will strengthen the economy and further our seventh plan objectives. First among these in education.

Housing bank

The new education policy has been adopted by Parliament after extensive

discussions. It has been evolved from a national consensus. It is a powerful weapon to fight poverty. It gives to the socially and economically weaker sections the means to realise equality of opportunity guaranteed by our constitution. It will help us preserve our heritage and release the creative energy of our youth. It will bind together people speaking different languages, professing different faiths and belonging to diverse cultural traditions that are part of the composite culture of India. It aims at excellence in all fields science, technology, the arts, humanities and philosophic thought.

To give a good start to the new policy, I have allocated as much as Rs. 800 crores for education as compared with Rs. 350 crores in 1986-87. This massive increase is a measure of our resolve to bring about an educational transformation in our country.

State governments have the primary responsibility for education. These resources will supplement the efforts of state governments.

The momentum of anti-poverty programmes will be maintained. In 1985-86, one million tonnes of foodgrains was provided to states as grant for extending the coverage of the national rural employment programme (NREP) and the rural landless employment guarantee programme (RLEGP), resulting the creation of 63 million mandays of additional employment. In 1986-87, the additional allocation was increased to two million tonnes. Leading to additional employment of 128 million mandays. I propose to continue the programme of allocating additional foodgrains for employment.

The integrated rural development programme will be strengthened further. This year, more than 3.2 million families are likely to benefit. In the coming year, an outlay of Rs. 310 crores is being provided. Combined with matching allocations of states and credits from the banking sector, the total flow of funds under this programme will be four to five times greater than this allocation. Total plan outlay for the department of rural development will exceed Rs. 2,000 crores in 1987-88. This compares with the total sixth plan expenditure of about Rs. 3,600 crores.

Housing is high on our list of priorities. It is basic need. It also generates employment. We propose to launch a comprehensive programme for housing development, particularly housing for economically weaker sections.

The Central government has again earmarked Rs. 125 crores in 1987-88 for the Indira Awaas Yojana. Under this scheme, one million houses will be built during the seventh plan period for the scheduled castes and the scheduled tribes. We have decided that state governments would be free to use the amounts allocated to them under this programme as seed capital for

launching Indira Awaas Yojana societies for housing loans for the scheduled castes and the scheduled tribes.

A new financial structure will be created to provide funds for housing. At the apex level, a new National Housing Bank will be set up by the Reserve Bank of India with an equity capital of Rs. 100 crores. This bank will promote housing institutions at both local and regional levels. The Reserve Bank will be announcing the details separately.

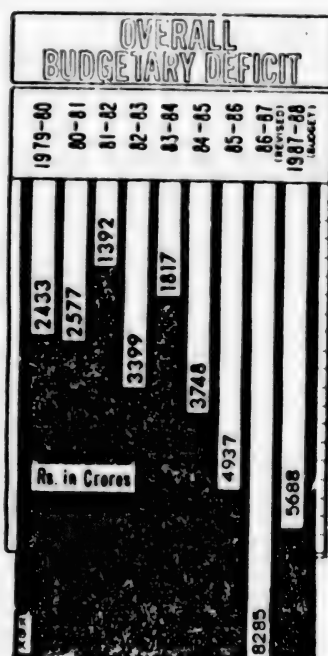
The national commission on urbanisation, in its interim report, has suggested several changes in the laws affecting housing, including the Urban Land (ceiling and regulation) Act, 1976. This important social legislation aimed at using surplus lands in urban areas for the common good. However, the results achieved have been disappointing. Although 10 years have passed, less than one half of one per cent of the land declared surplus has actually been used for construction. Meanwhile, scarcity of land has pushed up rents and speculative profits in urban areas. The worst sufferers have been the poor. This is not acceptable. I have asked the ministry of urban development to work out suitable legislative proposals taking into account the recommendations of the commission, and place these before the house for consideration.

The commission has also recommended certain changes in the rent control acts which would give protection to the economically weaker sections, while also providing sufficient incentive for new constructions. These changes should, over time, bring down rents by improving the availability of housing. The report of the commission will be commended to state governments.

Later, in my speech, I shall be announcing certain incentives for income-tax payers in respect of housing loans taken from specified institutions.

Workers' welfare

In the last two years, government has taken a number of measures for workers' welfare. These include legislative changes to protect workers' dues, introduction of a new stock option scheme for workers, increase in eligibility limit for bonus payments, increase in the rate of DA for public sector employees, tax concession for investment in workers' housing, increase in the interest rate on workers'



provident funds and removal of ceiling of house-rent allowance for exemption from income-tax. As a further step, I propose to make certain legislative changes in the Income-Tax Act to protect the dues of workers by way of provident fund, LSI and gratuity.

We have achieved remarkable success in mobilising small savings. An expert group, appointed by government last year, has pointed out certain problems with the present scheme of tax incentives on personal savings. An important lacuna is that fiscal concessions are currently available for gross savings, with no penalty for dissaving. It has, therefore, recommended shifting to a system which gives incentives for net savings.

I propose to introduce a new savings scheme based on the net saving principle. To avoid any transitional problems, this scheme will be, for the present, in addition to the existing tax concessions available under section 80C of the Income-Tax Act for national savings certificates and other instruments. Under the new scheme, 50 per cent of deposits up to a maximum of Rs. 20,000 will be eligible for deduction. However, in the year of withdrawal, 50 per cent of the amount withdrawn will be added to the taxable income. Receipts under the scheme will be shareable with states. The full details of the new savings scheme, which will be introduced in the next financial year, are being announced separately.

Capital markets

The capital markets in India have shown tremendous growth in the last few years. Approvals for capital issues have exceeded Rs. 5,000 crores in

1986-87. They were only about Rs. 500 crores in 1980-81. For a healthy growth of capital markets, investors' rights must be fully protected. Trading malpractices must be prevented. Government have decided to set up a separate board for the regulation and orderly functioning of stock exchanges and the securities industry.

Last year, the UFI had set up a mutual fund for investment in equity to attract small investors. In order to widen their choice, the State Bank of India will set up a similar mutual fund. I shall also be announcing certain measures later which should contribute to the development of capital markets.

Industrial review

I have referred to the acceleration in industrial growth. Government's main thrust is to modernise India's industrial structure. Efficiency and productivity have to be increased. Existing technology has to be upgraded. New technology has to be absorbed and further developed indigenously. Costs must be reduced. All these objectives can only be realised in a medium-term time-frame.

Government has been carrying out an intensive review of individual industries. New policy measures have been announced in respect of several important industries, such as textiles, jute, sugar, drugs, electronics and software. We have also set up the textile modernisation fund and the jute modernisation fund. These will facilitate modernisation of these traditional industries which provide substantial employment. Another special development fund is being set up for jute. This will benefit growers and workers and promote diversification and research and development.

Government will continue to undertake systematic reviews of the total policy framework for selected industries, and take necessary steps to stimulate growth and modernisation.

The capital goods industry is central to our efforts for achieving self-reliance. It needs immediate attention. I propose to introduce a package of measures to further accelerate the growth of this industry. First, import duty rates for machinery, including general project imports, are being adjusted. Second, in order to reduce costs of domestic manufacture in certain critical sectors, such as power, heavy equipment and textile machinery, the cost of certain special types of imported steel is being reduced. I will have more to say on these proposals later.

Third, a special programme of technological upgradation for selected capital goods industries will be launched by financial institutions for the three-year period upto the end of this plan. This will cover in the first instance electrical machinery, including power equip-

ment and electric motors, foundries and machine tools. The objective of this programme will be to induct the latest technology in these sectors, improve indigenous R/D facilities for constant upgradation, and reduce costs. The details will be announced separately by Industrial Development Bank of India.

Industries linked to agriculture have a special role in our development. They provide markets for agricultural produce and generate higher incomes for our farmers. I have already referred to the measures taken for modernisation of two of the most important agro-based industries, namely, jute and textiles. Last year's budget had provided important tax incentives for use of certain indigenous oils in vanaspati. I shall be announcing certain proposals to encourage the food processing industries. This will benefit the farmers and the consumers. There are other proposals to benefit cotton and wool.

In the past year, government has taken a number of measures to support export industries. New schemes of cash compensatory support and customs duty drawback have been introduced. Import duties on capital equipment for selected export industries have been reduced. Interest rates have been lowered. Specified raw materials are being provided at international prices. Fiscal incentives have also been extended. Exports are now doing better. In this budget, I shall be proposing some further measures for increasing export production.

Mr. Speaker, Sir, these are other budget proposals will strengthen the productive forces in our society. The fundamental assumption of the seventh plan, as indeed of all our five-year plans, is that growth and development are the real antidotes to poverty. Direct measures for alleviation of poverty are indispensable in our society. However, such measures can be sustained only by rapid development. This was the message that Jawaharlal Nehru gave to the country while introducing the second five-year plan in this house.

Nehru recalled

"We have, therefore, to lay great stress on equality, on the removal of disparities, and it has to be remembered always that socialism is not the spreading out of poverty. The essential thing is that there must be wealth and production."

We can grow faster only if we use modern technology. This is the only way to deal effectively with the problems of unemployment and poverty. Those wise men who decry the use of modern technology in the name of social justice would do well to listen to

Panditji, who in the course of the same speech, said.

"Do not imagine that minus technological progress we are going to deal with the problem of unemployment.... if India is to advance, India must advance in science and technology, and India must use the latest techniques, always keeping in view, no doubt, that in doing so, the intervening period, which always occurs, must not cause unhappiness or misery."

This then is our basic strategy — a framework of sustained growth on the basis of rapid modernisation of India's agriculture and industry. I am committed to planning for socialism in India, socialism which fits in with our genius but nevertheless socialism in its basic meaning of removing disparities and providing equality of opportunity. This is the yardstick by which I want to judge all policies and programmes.

Let me now turn to the revised estimates for 1986-87 and budget estimates for 1987-88.

Revised estimates (1986-87)

Budget estimates 1986-87 provided for a total expenditure of Rs. 52,883 crores. The expenditure in the current year is likely to exceed the original estimate by Rs. 7,445 crores owing to a number of post-budget developments.

I do not propose to take the time of the house by going into details as they have been explained in the budget documents. I shall only refer to certain major items.

Non-plan expenditure is expected to be higher by Rs. 5,508 crores including expenditure arising from the recommendations of the fourth pay commission. To reduce the cost of carrying the buffer stock, the Food Corporation of India is being provided loans of Rs. 1,200 crores on soft terms. This will replace equivalent bank financing. For reasons well known to the house, we have increased defence expenditure by Rs. 1,466 crores; interest payments will be higher by Rs. 800 crores.

Plan expenditure is likely to be Rs. 1,937 crores higher than the original estimates. Budgetary support for the Central plan is expected to increase from Rs. 13,617 crores to Rs. 14,792 crores. The increase of Rs. 1,175 crores is mainly in telecommunications, railways, petroleum, mines, textiles and atomic energy sectors. Central assistance for state and Union territory plans will be Rs. 762 crores more mainly because of additional Rs. 510 crores of advance plan assistance to states affected by natural calamities. Taking plan and non-plan together, natural calamities assistance to states will be Rs. 640 crores higher than the budget estimate of Rs. 150 crores.

Coming to receipts, net tax revenue

is likely to increase by Rs. 1,564 crores compared with the budget estimate of Rs. 22,643 crores. This is a large increase, made possible by vigorous implementation of our tax laws. Non-tax revenue and capital receipts, including the contributions from the oil sector, are estimated at Rs. 27,836 crores against the budget estimate of Rs. 26,537 crores. The total receipts are placed at Rs. 52,043 crores and the total expenditure at Rs. 60,326 crores. Inclusive of Rs. 1,200 crores on account of replacement of bank credit for buffer stock by government loans, the current year is expected to end with a budgetary deficit of Rs. 8,285 crores.

The deficit is high and I do not like it. I have decided that the deficit in the budget estimates for 1987-88 shall not

Rs. 800 cr. for education

NEW DELHI, February 28 (UNI): The Prime Minister has allocated Rs. 800 crores for education as against Rs. 352 crores in 1986-87.

"This massive increase is a measure of our resolve to bring about an educational transformation in our country," Mr. Gandhi said.

be exceeded. Some supplementary demands are unavoidable. I am instructing the ministries and other Central government organisations to ensure that additional demands are offset by equivalent savings or through measures to raise more resources. We will review the financial performance of public sector units to ensure that targets for internal resource generation are met. I am constituting a cabinet committee on expenditure to monitor the implementation of these measures.

The overall economic situation is good. Our foodstocks and foreign exchange reserves are quite satisfactory. We have been able to keep the overall price situation under control through judicious demand and supply management. Along with expenditure control, we will continue to take anticipatory action to reduce excess liquidity and increase supply of sensitive commodities, particularly foodgrains, sugar and edible oils.

Following the report of the committee on the working of the monetary system, in consultation with the Reserve Bank of India, it has been decided that henceforth the budget documents should show the budgetary deficit as well as the net change in the Reserve Bank of India credit to Central government. The latter presents a more accurate measure of the monetary impact of the government's fiscal operations. According to the present information,

it is estimated that the change in the net Reserve Bank of India credit to Central government in 1986-87 will be Rs. 7,250 crores, which is lower than the budgetary deficit.

Budget estimates (1987-88)

For 1987-88, in the present situation, I have given the highest priority maintaining the tempo of the plan. I have provided an outlay of Rs. 24,622 crores for the Central plan 1987-88, of which Rs. 14,923 crores will be provided as budgetary support. With this order of outlay, in the first three years of the plan, we would have fulfilled about 63 per cent of the seventh plan outlay. This is a record.

However, we now have to make greater efforts to achieve more for every rupee of investment that we make. Achievement of physical targets is far more important than just spending the money. Government must be more cost effective. The cost of delivery of our programmes must be reduced.

The government has, therefore, given a high priority to implementation of projects in time, avoidance of time and cost over-runs in projects, and the use of innovative methods and new technologies. A monitoring system has been set up for projects under implementation.

Revised accounting classification to bring about one to one correspondence between heads of accounts and heads of development used for plan purposes is being introduced from 1.4.1987 in consultation with the comptroller and auditor general of India. This will strengthen the planning process and help better monitoring. Equally important is obtaining timely feedback from grass-root levels regarding implementation of programmes and flow of benefits therefrom.

Poverty alleviation

In the Central plan, a high priority has been given to programmes which have an impact on alleviation of poverty in the rural areas. As I mentioned earlier, particular emphasis has been given to education. The NREP, the IRDP, the RLEGP, rural water supply, and the use of food stocks for creation of additional employment opportunities in the rural areas.

Agricultural development has a major impact in alleviating poverty. In the Central plan, the accent in the agricultural sector continues to be on increasing productivity by increasing the area under high-yielding and improved varieties, accelerated transfer of new technology, increasing crop intensity, diversifying the cropping pattern and control of pests and diseases. Some of the important programmes under implementation are: special rice production programme, national oil seeds project, national watershed de-

velopment programme and national pulses development project. These projects are designed to solve specific agricultural problems, and are already making an impact in our rural areas.

Oil output

Irrigation and fertilisers are two major components of programmes for increasing agricultural productivity. In irrigation, a high priority is being given to the completion of on-going projects and for bridging the gap between irrigation potential and its utilisation. Fertiliser production in the current year will increase to nearly seven million tonnes from about 5.7 million tonnes last year. The fertiliser plant at Paradeep has commenced production during the year. In the next year, the fertiliser plants at Vijaipur and Aonla—each with a capacity of 7.2 lakh tonnes of urea—are expected to be commissioned.

In terms of financial outlays, infrastructure sectors, namely, energy, transport and communications will account for more than 54 per cent of the total Central plan. In 1987-88, taking the Centre and states together, we will be commissioning 4880 MW of additional power capacity. In coal, the output per man-shift has improved by 11 per cent. The target for coal production in 1987-88 is 183.5 million tonnes as against 165 million tonnes in 1985-86.

In the sixth plan, we are able to increase our crude oil production nearly three-fold. In the current plan, production is likely to show a slower increase and it is necessary to accelerate investment in exploration and development to new oil fields. The total outlay for the petroleum sector as a whole is Rs. 3,265 crores next year.

In order to save the time of the house, I have mentioned only a few of the highlights of the Central plan for 1987-88. In several other areas, such as, women and child development, health and family welfare, youth affairs and sports, art and culture, science and technology, environment, social forestry and information and broadcasting, this government has taken several new initiatives to make the plan more meaningful to our people. These programmes are being strengthened. Necessary provisions have also been made for industrial projects, including those in heavy industry, steel and mines.

I am also happy to inform the house that the total plan outlay of states and Union territories for 1987-88 has been fixed at Rs. 19,537 crores representing an increase of 17 per cent over the current year.

We have taken care of the requirements of Arunachal Pradesh and Mizoram on being elevated to statehood. A provision of Rs. 8,754 crores has been made next year for Central assistance for state and Union territory

plans as against Rs. 8,140 crores in the current year's revised estimates.

The budget estimate for defence is Rs. 12,512 crores in 1987-88. This has naturally cast a heavy burden on our budgetary resources, but the house will agree with me that no compromise is possible where the country's defence is concerned. The strength and morale of our armed forces are high. On behalf of this house, I assure our jawans of the unstinted support of the entire nation.

More pension

Interest payments next year are estimated at Rs. 10,650 crores against Rs. 9,550 crores in the current year. Food and fertiliser subsidies, including arrears, are placed at Rs. 3,910 crores as against Rs. 3,893 crores in the current year. Next year's budget includes a lump provision of Rs. 500 crores to cover likely increases in additional dearness allowance to government employees and also the increases in pensionary charges arising out of the recommendations of the fourth pay commission. This government—ever sensitive to the difficulties of pensioners—has decided to increase the minimum pension and minimum family pension to Rs. 375 per month. This will benefit nearly six lakh pensioners.

The total non-plan expenditure in 1987-88 is estimated at Rs. 39,266 crores. In the tax revenue for next year the net of states' share is estimated at Rs. 25,689 crores against Rs. 24,207 crores in the current year. Non-tax revenue and capital receipts are placed at Rs. 31,243 crores against Rs. 27,836 crores in the current year. The total receipts at existing rates of taxation thus amount to Rs. 56,932 crores against the total expenditure of Rs. 62,942 crores leaving a gap of Rs. 6,010 crores.

FOLLOWING is the text of the Prime Minister's budget speech (Part B).

In the 1985-86 budget, we initiated a process of major tax reform. The broad direction and strategy for this reform was set out in the long term fiscal policy (LTFP). We will be introducing a detailed amendment bill on direct taxes separately in the budget session. This bill will implement wide ranging changes aimed at simplification and rationalisation.

The basic thrust of my few direct tax proposals is to provide incentives for savings to promote investment and to support housing. I propose to strengthen some welfare measures. I have also included some measures to enhance revenue.

I do not propose any changes in the rate structure for personal and corporate taxes. This is in line with the long term fiscal policy.

In order to conserve foreign exchange and to raise revenue, I propose to levy a modest tax of 15 per cent on foreign exchange released in India for foreign travel. Foreign exchange released for medical treatment and education abroad will be excluded. This tax will be applicable for travel from a date to be notified. The revenue yield from this measure is expected to be Rs. 60 crores.

Tax on hotels

Those who can afford to patronise high class hotels should also be afforded the further pleasure of contributing to the national exchequer. A separate legislation will be brought forward for levy of a tax on expenditure in expensive hotels. This tax, to be levied at 10% of expenditure, will not apply to payments made in foreign exchange. It will become effective after passage of the necessary legislation.

I have already mentioned the decision to introduce a new national savings scheme based on net savings. Necessary legislative changes are being included in the finance bill.

I propose to provide a fiscal incentive for channelising savings into the housing sector. Repayment of loans and payments made to the extent of Rs. 10,000 in a year towards the cost of any new residential property will qualify for deduction on the same lines as life insurance premia or contribution to provident fund under section 80 C of the income-tax Act. This exemption will be within the existing limit of Rs. 40,000.

Capital gains arising from the sale of a residential house are exempted in case such gains are utilised for acquiring another house. This was hitherto applicable only to individuals. It is now being extended to Hindu undivided families.

House tax laws

I understand that for the purpose of taxation of income from houses, our tax laws make a distinction between a real owner who is not a legal owner and a legal owner who is not a real owner following the well-established revenue tradition, when it comes to taxing, we tax both the real owner who is not a legal owner and the legal owner who is not a real owner. Concessions available to a house owner are, however, given only to a real owner who is also a legal owner.

I propose to simplify the law by clarifying that the real owner, even if he is not the legal owner, will pay the tax and avail of the concessions available

to the legal owner. I hope this proposal is abundantly clear to the hon'ble members.

In cases where the compensation for acquisition for a property is enhanced, or where a new residential house is not acquired within the specified time after selling the old house, the completed tax cases for the past years have to be modified to the capital gains accrued earlier. Certain procedural changes are being made in the law to remove this complication.

Several important changes have been introduced in the corporate tax structure in the last two years. With effect from April, 1987, a liberalised set of depreciation rules is being introduced. Depreciation will be allowed in respect of blocks of assets instead of the present system linked to individual assets. There will be only three rates of depreciation for plant and machinery, namely, 100%, 50% and 33-1/3%, apart from simplifying assessment, this will enable industry to replace and modernise capital equipment faster.

It is only fair and proper that the prosperous should pay at least some tax. The phenomenon of so-called "zero-tax" highly profitable companies deserve attention. In 1983, a new section was inserted in the Act so that all profitable companies pay some tax. This does not seem to have helped and is being withdrawn. I now propose to introduce a provision whereby every company will have to pay a "minimum corporate tax" on the profits declared by it in its own accounts. Under this new provision, a company will pay tax on at least 30% of its book profit. In other words, a domestic widely-held company will pay tax of at least 15% of its book profit. This measure will yield a revenue gain of approximately Rs. 75 crores.

Capital markets

The capital markets have shown remarkable buoyancy. I propose to make some changes in the tax laws which will support healthy development of the capital markets. The existing provision of allowing deduction in respect of investment in equity shares of certain categories of new companies was to be withdrawn with effect from April 1, 1987. In view of the need to continue support for issues of new companies, I propose to extend this concession for 3 more years. I also propose to reduce the holding period of these share from five years to three years.

At present, shares have to be held for a period of 36 months before capital gains on their transfer qualify for the concessional treatment allowed for long-term capital gains. It is proposed to reduce the holding period to 12 months. This will provide greater flexibility to investors and also improve the mobility of capital invested in shares.

Concentration of industries in many of our urban areas poses serious problems of congestion, pollution and hazards. In order to encourage industries to shift out of such areas, I propose to exempt capital gains made on the sale of land and buildings in such areas provided these are reinvested in approved relocation schemes.

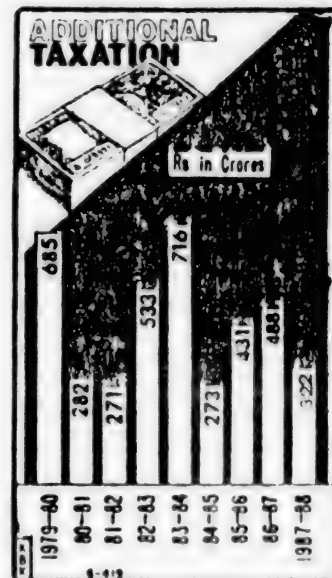
The provisions regarding additional income-tax on undistributed profits of closely held companies have lost their relevance after the reduction in tax rates effected in 1985-86 budget. These are being deleted. Because of some court decisions, the capital gains on transfer of goodwill of a concern or transfer of assets from a firm to a partner and vice-versa escape the tax net. Such gains will be explicitly taxable.

Tax holiday

A tax holiday to newly established undertakings in free trade zones has been provided. It is being clarified that this will also extend to units which develop software as also those which assemble or process components for exports.

A tax concession is available to the Indian companies earnings income from a foreign government or a foreign enterprise for imparting technical know-how. This tax concession will now be available only if the foreign exchange earned is repatriated to India. It is also being clarified that an Indian resident cannot be treated as a foreign enterprise for this purpose.

It is proposed to exclude computers and machines for transmission and reception of message from the list given



in the eleventh schedule of the Income-Tax Act as these industries are no longer non-priority

At present Indian citizens earning remuneration in foreign currency for services rendered abroad are allowed 50 per cent exemption under section 80 RRA of the Income-Tax Act subject to certain conditions. This is being further liberalised. The exemption will now be allowed to the extent of 50 per cent of the remuneration, or 75 per cent of the remuneration repatriated in convertible foreign exchange, whichever is higher.

In order to improve coverage and prevent tax evasion, it is proposed that tax at specified rates should be deducted at source in respect of all payments beyond certain prescribed amounts of fees for professional and technical services, royalty, rent, commission or brokerage and payments for goods supplied to government, etc. This will apply to payments made by all persons, excepting individuals and Hindu undivided families.

Let me now come to measures for the welfare of workers, members of the armed forces and the handicapped. There are a number of cases where the employers do not credit their own contributions nor those of the employees to the provident fund and the state insurance fund. It is also unfortunate that a separate fund is not being kept by some employers in respect of gratuity of workers. To prevent this anti-labour practice, we propose to penalise such delinquent employers by providing that the contributions of the employees to these funds will be taxed as the income of the employer and allowed as a deduction only when they are made over to the separate accounts relating to these funds within the time allowed under the statute.

Any compensation received by a workman at the time of his retrenchment is exempt from tax. Similar exemption is being extended to payments made under voluntary retirement schemes for public sector employees.

Aid for widows

Regimental funds of non-public funds are utilised for purposes such as providing assistance to widows of armed personnel killed in action, as also to disabled soldiers. The contributions will enjoy similar tax concessions as other funds of national importance like the national defence fund.

I am increasing the special deduction allowed to the physically handicapped persons and the totally blind from Rs. 10,000 to Rs. 15,000.

There are other procedural proposals in the area of indirect taxes including those to ensure better functioning of the settlement commission which are in the bill.

For the members of Parliament, I propose to introduce a general exemp-

tion in respect of constituency allowance without reference to any monetary ceiling.

The above proposals will give a net revenue gain of Rs. 145 crores.

Indirect taxes

Let me now turn to indirect taxes. The tariff regime for capital goods will be restructured and rationalised. I propose to extend MODVAT to most of the remaining areas. Excise and customs duties for certain industries are being adjusted to stimulate growth. There is a package of reliefs for the common man. As I mentioned earlier, the capital goods industry needs special support.

At present there are two tariff rates for import of machinery: 101 per cent for import of general machinery and concessional rate of 55 per cent when machinery is imported for a new project.

The low duty rates for project imports have provided a strong encouragement for unnecessary imports. The differential between the general rate and the project rate also discriminates against modernisation of existing units, and favours sickness. These anomalies must be corrected.

Rates to be equalised

I propose to equalise the two rates at 85 per cent. The rate of duty applicable for components will be 15 per cent below the applicable tariff rate.

At present, fertilisers, power and electronics are allowed concessional import duty on their capital goods imports. These rates are being adjusted upwards. The duty on import of equipment for the electronics industry is being raised from 25 per cent to 30 per cent and for fertiliser plants, it is being increased from zero per cent to 15 per cent.

In the case of power, plants of above 50 MW capacity will continue to be imported at 25 per cent. Plants of 50 MW and below will pay a higher duty of 35 per cent.

Further concessions are needed to encourage upgradation of technology in specified capital goods sectors.

At present, domestic capital goods manufacturers have to pay very high import duties on import of special steels. The duty rate is being reduced to 85 per cent on steels such as boilers-pressure-vessels-quality plates, sheets or coils, turbine blade forgings and stainless steel plates.

Imported stainless steel at concessional duty of 65 per cent instead of the prescribed rate of 245 per cent at present.

(III) In order to encourage modernisation of foundries, import duty

on specified capital goods is being reduced from 101 per cent to 55 per cent.

(IV) Caustic soda plants presently based on mercury-cell technology should be encouraged to convert into membrane-cell technology. The new technology saves energy and reduces pollution. Specified equipment required for this conversion will be allowed imports at concessional duty of 35 per cent instead of the present 101 per cent.

Modvat extended

The Modvat introduced in the 1986-87 budget was a major innovation. We covered 38 chapters of the excise tariff last year. I now propose to extend Modvat to all the remaining chapters except those relating to textiles, tobacco and the petroleum sectors. Modvat will now be extended to cover food products, mineral products, leather and travel goods, footwear, paper and paper-board, wood and cork products, asbestos cement products and precious metals.

Last year, in order to ensure revenue neutrality, the introduction of Modvat was accompanied by an increase in the duty on the final product to balance the set-off being given of the duty paid on inputs. This year, keeping in view the nature of products, the duty on the final product is not being increased except in a few items. This will reduce the effective duty on a large number of items.

In the case of food products, for example, the total number of items covered by Modvat will be over 100. The duty increase for revenue neutrality is being done only in the case of cheese, malt preparations and aerated soft drink. The effective rate of taxation on other food products, such as biscuits, skimmed milk powder, butter, jams and jellies, and confectionery will be significantly reduced. Farmers and horticulturists are benefited by the expansion of the market of value-added food products.

Some increase in the final duty is necessary in five of the items which were covered last year where we have found that set-off given last year was very much larger than initially estimated. These are zinc-oxide, adhesives based on synthetic resin, organic surface-active agents, electric motors and primary batteries.

Simplifying Modvat

A number of important procedural changes are also being introduced to simplify the operation of Modvat. Some of the concessions are:

(1) Refund in cash of input duty credit if the final product is exported by the manufacturer in certain circumstances.

(2) Availability of credit of duties in respect of inputs lying in stock.

(3) Adjustment of input duty credit if additional duty is demanded from input manufacturers in case of change in classification of inputs.

(4) Receipt of inputs directly by the job-workers will be permitted for all items under the Modvat scheme.

With these measures, we will have successfully eliminated the cascading effect of excise duty and given a measure of excise relief.

Our comprehensive policy package has made electronics one of the fastest-growing industries. It has generated substantial employment. I propose to make certain changes which will strengthen the basic design of the existing policy.

For computers, the following reliefs and rationalisations are being carried out:

(I) Import duty on electronic sub-assemblies is being reduced from 308% to 150%.

(II) The list of peripherals is being enlarged and a uniform rate of import duty of 60% is being specified.

(III) Import duty on specified data-communication equipment is being reduced from 140% to 100%. Duty on mechanical parts of data-communication equipment is being reduced from 140% to 55%.

(IV) The present notification regarding exemption of import duty on computer peripherals for research institutes is being extended by three years.

(V) Duty on computer systems imported under OGL is being reduced from 150 per cent to 140 per cent (basic and auxiliary).

(vi) Import duty on specified electronic parts of computers is being increased from 25 per cent to 75 per cent in order to give appropriate protection for indigenous production. The import duty on mechanical parts of computer peripherals is also being increased from five per cent to 75 per cent; and this is being extended to mechanical parts of CNC system.

Computer levy

The Indian computer industry achieved a turnover of Rs. 225 crores last year. It has passed its infancy and is healthy and vigorous. Now that the industry has arrived, can the tax-collector be far behind? It is proposed to levy an excise duty of ten per cent on computers and peripherals. With MODVAT, the effective incidence of duty will be much lower.

The research and development base of the electronics industry is crucial for its long-term success. I, therefore, propose to reduce the duty on specified equipment required for R&D from 140 per cent to 55 per cent.

We must also encourage domestic

production of capital goods required for the electronics industry. At present, mechanical components required for manufacture of such capital goods attract a duty of 140 per cent. I propose to reduce this duty to 45 per cent in the case of components required for nearly 300 specified machines.

In the field of general electronics, a concessional duty structure of 30 per cent—45 per cent and 75 per cent is allowed for imports of raw materials, piece-parts and components, respectively. We are expanding the coverage of this concessional duty structure by adding some more items.

I propose to abolish the excise duty on the production of poly-silicon in all forms as a measure of support for the domestic industry. The customs duty for the import of silicon, solar cells and photo-voltaic systems is being fixed at 30 per cent, 45 per cent and 75 per cent, respectively. I propose to increase the duty on the import of polysilicon to 75 per cent for the electronics industry in the interest of domestic production of television sets has increased rapidly in line with targets. A thriving and competitive industry has been set up. I propose to make two changes:

Tax on TVs

(i) as an anti-avoidance measure, it is proposed to impose an excise duty or countervailing duty of Rs. 150 on black and white tubes meant for sets of size above 36 cms. And to impose an excise duty or countervailing duty of Rs. 6000 on all colour television tubes. Under MODVAT, this input duty would be fully rebated to duty-paying manufacturers with no additional duty burden on the consumer. It will, however, held to check unlicensed production.

(ii) The excise duty on colour television sets exceeding 36 cms. size is presently Rs. 1,500 irrespective of the value of the set. I propose to increase the duty on costlier sets to Rs. 1,750 per set.

This will apply to sets cleared at assessable value higher than Rs. 5,000 which corresponds to a retail price of about Rs. 7,500. The excise duty for sets cleared at assessable value of Rs. 5,000 or below will remain at Rs. 1,500. The costlier sets can bear the extra duty.

These proposals relating to the electronics industry will involve a net loss of revenue of Rs. 19.30 crores. There will be a revenue gain of Rs. 40 crores in excise duty and a loss of Rs. 59.30 crores in customs duty.

Automobile sector

Important developments have taken place in the automobile industry in the past few years. New technology has been introduced, production has increased and indigenisation is taking

place. Government have been reviewing these and other developments and will be announcing a comprehensive policy. For the present, I have the following tax proposals for automobiles.

(i) At present, a concessional rate of customs duty of 50 per cent is allowed for imported sub-components required for the manufacture of components for fuel-efficient trucks, cars and two-wheelers. I propose to enlarge the list of components eligible for concessional import of sub-components. This will encourage indigenisation.

(ii) Excise duty on fuel-efficient motor vehicles with engine capacity not exceeding 1000 cc is proposed to be increased from 20 to 25 per cent.

This sector can bear the additional duty and it will still benefit from a lower rate than the rest of the industry.

(iii) For handicapped individuals, I propose to provide for total exemption from customs duty in respect of automatic transmission and other special equipment to be fitted into fuel-efficient cars of engine capacity not exceeding 1000 cc.

(iv) The rate of duty on import of spares for meeting the after-sales or warranty of fuel-efficient motor vehicles is being increased from 50 to 75 per cent.

(v) Excise duty on tractors will now be fixed on engine capacity instead of power-take-off-horse-power. This is an anti-avoidance measure with no revenue implication.

Plastic prices

Plastics are widely used by the common man. They also have a tremendous potential for use in farms and factories. Our plastic prices are high. The government proposes to initiate measures to reduce costs in this important area.

I propose to reduce the basic customs duty on PVC resin (general-purpose suspension-grade) from Rs. 10,500 per metric tonne to Rs. 7,500 per metric tonne. These resins are used in the manufacture of cheap footwear, pipes for agricultural application and as insulation for wires and cables.

I also propose to reduce the basic customs duty on low-density-polyethylene (LDPE) from 100 per cent to 75 per cent. LDPE is used as a base for production of a wide range of packaging materials. LDPE film has a big potential use in the lining of canals and farms and field-channels.

The excise duty on products of regenerated cellulose, which includes the cheap packaging material, cellophane, is being reduced from 40 per cent to 20 per cent. Excise duty is being similarly reduced on cellulose acetate moulding granules which is used for spectacle-frames, umbrella

handles, tooth-brushes and on sodium carboxy-methyl cellulose which is used in oil-drilling, textiles processing and detergents.

Duty cuts

Excise duty on certain varieties of industrial plastics, i.e. acrylic and vinyl resin emulsions, is being reduced from 40 per cent to 20 per cent.

Over the past year, we have taken a number of steps to strengthen our export performance through fiscal and other means. I propose to give the following additional incentives:

a) For the gem and jewellery industry, customs duty on 46 additional items of tools, machinery, etc. is being reduced to 35 per cent.

b) For the marine products industry, three additional items will be allowed concessional import duty of 40 per cent (basic and auxiliary).

c) For the leather industry —

i) 31 additional items of machinery required for leather industry will be allowed concessional duty of 35 per cent.

ii) Polyurethane film-foil used for improving finished leather will have lower countervailing duty of 40 per cent.

iii) Polyurethane leather required for the manufacture of football for exports will be exempted from duty.

d) The import duty on tyre moulds required for export production is being reduced to 25 per cent.

e) Export duty on mica products is being abolished except for mica waste and scrap.

f) Import duty on flax and ramine fibres is being reduced from 80 per cent to 40 per cent.

I also propose to make some adjustments which will further benefit the common man.

In August, 1985, government introduced a scheme of fiscal relief for the manufacture of inexpensive blended fabrics — Sulabh Fabrics. Under this scheme, NTC mills are supplied raw material free of excise duty for the manufacture of suiting of value up to Rs. 45 per metre and shirting of value up to Rs. 20 per metre. This scheme has made a good start. It is now proposed to have a similar scheme for manufacture of Sulabh sarrees. This will make available good quality sarrees at reasonable prices.

At present, footwear of Rs. 45 per pair is exempt from excise duty. I propose to raise the limit to Rs. 60 per pair of assessable value which corresponds to footwear retailing at about Rs. 100 per pair. To offset the revenue loss, excise on footwear exceeding this assessable value is being increased to 15 per cent for leather footwear and 20 per cent on footwear of synthetic resins.

Janata soaps

Janata soaps of value not exceeding Rs. 10,000 per metric tonne bear a lower rate of excise duty of 5 per cent. I propose to raise the value limit to Rs. 12,000 per metric tonne. This should reduce the cost of cheaper toilet and laundry soaps. Soaps of value between Rs. 12,000 per metric tonne and Rs. 25,000 per metric tonne will continue to pay duty at 15 per cent but expensive soaps, whose value exceeds Rs. 25,000 per metric tonne, will be charged 25 per cent.

Complete exemption from excise duty is available in respect of shoddy wollen fabrics of assessable value not exceeding Rs. 40 per sq. mtr. I propose to raise this limit to Rs. 60 per sq. mtr. Shoddy blankets are already fully exempt from excise duty.

Excise duty on fluorescent tubes is being reduced to the specific rate of Rs. 2 per tube. The other fittings and parts of such tubes will also pay reduced excise duty at the rate of 10 per cent.

I also propose to exempt, from excise duty, bio gas appliances such as stoves, hot plates and lights. This would encourage greater use of bio gas.

Specified life-saving equipment is presently fully exempt from customs duty but import of spares needed for such equipment attracts duty. This is an unnecessary burden on our hospitals and clinics. I propose full exemption also for spares and accessories of such life-saving equipments.

Items like note books, letter-pads, blotting pads, registers, account books, file covers are being exempted from excise duty altogether.

Cotton textiles

I have two proposals for cotton textiles:—

I propose to liberalise the small-scale scheme for hand-processed fabrics by increasing the full exemption limit from 36 lakh sq. mtrs. to 50 lakh sq. mtrs. in case of hand-processed cotton fabrics.

The excise duty structure on cotton fabrics in the power processing sector is being rationalised. Specific rates of excise duty are being provided in respect of fabrics of value up to Rs. 25 per sq. mtr. This will involve a revenue loss of Rs. 15 crores.

I propose to remove excise duty on wool tops altogether. However, I propose to increase the customs duty on raw wool, woollen rags and wool waste from 20 per cent to 30 per cent and reduce the customs duty on synthetic rags from 80 per cent to 30 per cent. Excise duty on polyester wool blended yarn is also proposed to be reduced from Rs. 30 per kg. to Rs. 15 per kg. This will benefit cheaper varieties of woollen textiles.

The present rates of duty on viscose staple fibre and viscose filament yarn

have not been revised for a number of years. As a revenue measure, I propose to increase the excise duty on viscose staple fibre from Rs. 5 per kg. to Rs. 7 per kg. Similarly, excise duty on viscose filament yarn is also being increased by about 12.5 per cent of the existing rates. These measures together will give us an additional revenue of Rs. 29 crores.

As the house is aware, there is a scheme which has replaced sales tax on sugar, tobacco and textiles by additional excise duty (AED). The proceeds of AED go entirely to the state governments. The AED is required to be raised to reach the agreed level of tax incidence. The rate of duty on costlier fabrics of assessable value exceeding Rs. 100 per sq. mtr. is being increased to 20 per cent.

The total revenue gain of AED will be Rs. 40 crores and will be passed on wholly to state governments.

I now propose to deal with some other industries which require relief.

(1) As a result of recent policies, cement production has grown rapidly benefiting the consumer and converting a sellers market into a buyers market. The newer units in the industry need some support in view of their high capital costs. I, therefore, propose a rebate of excise duty at the rate of Rs. 50 per metric tonne in respect of Portland cement manufactured by units commencing production of such cement on or after 1.4.1986. This rebate will be available for a period of three years from 1.3.1987. The levy quota in respect of such unit is also being reduced from the existing 30 per cent to 15 per cent. The excise concession will be available only to those units whose aggregate production is not less than 30 per cent of the licensed capacity.

Machinery import

(2) I propose to allow imports of specified machinery for improvement in productivity and quality of solvent-Extracted oils and oilmeals at concessional duty rate of 55 per cent. Last year, we introduced a system of rebate in excise duties for vanaspati and soap linked to larger use of minor oils. This has had the desired effect and production of rice-bran oil as well as its use in vanaspati and soap have increased considerably. The rebate scheme is being continued this year. There are some procedural changes and the ad valorem duty on vanaspati is being changed to a specific duty.

(3) Better food-packaging and food-processing can contribute greatly to raise the income of our farmers. I have already made some proposals in plastics which will help. I further propose to reduce the import duty on specified items of machinery and aseptic packaging from 101 per cent to 50 per cent.

(4) I propose to exempt 36 more drug intermediates used either exclusively or predominantly in the manufacture of drugs from additional duty of customs. In addition, I propose to lower the customs duty to 70 per cent on two specified drug intermediates required for the manufacture of pyrazinamide, an anti-TB drug.

(5) Customs duty on specified raw materials for refractories is being reduced.

(6) It is proposed to reduce excise duty on unwrought aluminium of CG-grade from 13 per cent to 11 per cent.

(7) I propose to reduce excise duty on feature films, including dubbed feature films by about 10 per cent of the existing duty leviable.

(8) Denatured-ethyl-alcohol of specified strength, when imported for use exclusively for industrial purposes, is being exempted from customs duty in excess of 60 per cent ad valorem.

Two SSI schemes

(9) It is proposed to merge the two existing SSI schemes for the refrigeration and air-conditioning appliances and machinery industry into one and to liberalise it.

Full exemption from excise duty will now be available for clearance upto Rs. 5 lakhs. Thereafter, 50 per cent of the excise duty leviable will be applicable for clearance between Rs. 5 lakhs and Rs. 15 lakhs. Subsequently, the unit will pay the normal duty but eligibility limit for retaining exemption and concessions for the unit will be Rs. 40 lakhs.

(10) I propose to extend the concessional rate of customs duty of 20 per cent in respect of HBI (Hot Briquetted Iron)/sponge iron and melting scrap of steel available to electric arc furnace units to induction furnace units also.

(11) Customs duty on flourspar (natural calcium fluoride) used for manufacture of aluminium fluoride is being reduced from 110 per cent to 75 per cent.

(12) I also propose to reduce customs duty to 25 per cent for plant equipment needed for manufacture of family-planning apparatus and appliances and also of equipment using non-conventional energy sources. The same low-duty rate is being applied for certain specified sophisticated fire-fighting equipment for fire-fighting services administered by Central/state/U.T. governments and local bodies.

In looking for more revenue, I have to fall back on every dependable and reliable friend of finance ministers and the certified enemy of health ministers. Lately, I am told, the friendly relationship has been marred by disputes and litigation. I now propose to restore amity between the two by moving over to a new and more rational system of levying excise duties.

Cigarette duty

The existing scheme of excise duty on cigarettes is based on the printed retail price. I propose to move over to an entirely new scheme of specific excise duty based on the length of the cigarette. This is the system prevalent in many countries. It ensures unambiguous determination of the excise duty, avoiding all problems of determining either assessable value or sale value.

It is proposed that for non-filter cigarettes of size up to 70 mm, the excise duty would be Rs. 1.50 per 1,000 cigarettes. In case of filter cigarettes, the excise duty will be in four slabs namely, up to 70 mm, over 70 up to 75 mm, over 75 upto 85 mm, over 85 up to 100 mm. The rates of duty per 1,000 filter cigarettes in these slabs will be Rs. 200, Rs. 300, Rs. 400 and Rs. 600 respectively. The tariff rate for cigarettes is Rs. 700 and, therefore, non-filter cigarettes beyond 70 mm length and filter cigarettes beyond 100 mm length will pay the tariff rate.

This scheme will be a major simplification and rationalisation measure. Incidentally, it will also yield additional revenue to government of Rs. 200 crores.

I will now mention some other measures largely of rationalisation:—

Denudation of our forests is causing serious damage to our environment. The tax structure must also make a contribution towards preservation of our forest wealth. With this objective in view, we have rationalised the duty structure on wood products. I propose to levy a uniform rate of excise duty of 20 per cent on wood products based on waste wood such as particle-board, insulation and hard-boards and fibre-boards. A higher rate of 30 per cent will be levied on all plywoods made from prime timber. I invite suggestions from members and other conservations and I am prepared to take further measures which would implement this policy objective.

Excise duty on snuff and chewing tobacco or products containing chewing tobacco is being imposed at the rate of 25 per cent.

A large number of exemption notifications in customs have the effect of lowering the rate of duty below 25 per cent for many items. In order to prevent invoicing malpractices, rates of duty should not be below 25 per cent in very special circumstances. Accordingly, duty rates are being raised to 25 per cent for seven items. In a few other cases, the duty rates have been reviewed and increased.

Concessions remain

The concessional rate of 25 per cent (basic) in respect of soda ash will continue until March 31, 1988.

The 70 per cent concessional duty on 13 specified parts of mechanical and

quartz analogue wristwatches will continue for another year with certain modifications. The rate of duty is being enhanced to 100 per cent for three specified parts. The concessional rate in respect of certain other parts of wristwatches is being withdrawn altogether.

The excise duty on aerated soft drinks is being increased by 20 paise per bottle and in the case of soda, by 15 paise per bottle. Soda and soft drinks in packagings other than bottles will have a duty of 60 per cent and 75 per cent respectively. MODVAT benefits will now be available for these items. Hence, the effective incidence will be considerably lower.

Processed foods of various types are charged 15 per cent excise duty. The list of such processed and relatively

Good name for cheap sari

NEW DELHI, February 28 (PTI): The scheme of the NTC mills to produce "good quality saris" at reasonable prices should have a befitting name, the Union cabinet decided today.

While considering the budget proposals before they were presented to Parliament by the Prime Minister, Mr. Rajiv Gandhi, the cabinet named them "soubhagya sari."

The Prime Minister carried out this correction in his budget speech, in which it was described as "sulabh sari".

The house cheered Mr. Gandhi as he explained that the scheme of "soubhagya sari" was similar to the one under which NTC mills were supplied raw materials free of excise duty for the manufacture of suiting of the value of up to Rs. 45 per metre and shirting of the value of up to Rs. 20 per metre for the common man.

expensive packaged foods is being extended to noodles, spaghetti, macaroni, vermicelli, flakes of cereals, ready-to-cook food-mixes, etc. put up for sale in unit containers.

Basic customs duty on unwrought aluminium is proposed to be raised from 20% ad valorem to 35% plus the normal additional duty. This is necessitated by the upward revision of domestic aluminium prices to equate the landed cost of imported metal with the statutory price per tonne.

I propose to raise the excise duty on steel ingots made by mini-steel plants from Rs. 315 per tonne to Rs. 365 per tonne so as to equate the duty with steel ingots produced by the integrated steel plants. Even at the revised rates, the ad

valorem incidence of excise duty will be lower than on steel produced by integrated plants because of substantial modvat credit and higher prices.

Oil pool account

I am also taking this opportunity to bring the surplus of the oil pool account into the tax-net. This will have no effect on consumer prices. This surplus presently accrues to government as non-tax receipts. I now propose to raise the customs duty on imported crude petroleum by Rs. 500 per tonne. I also propose to increase the ceiling limits upto which excise duty by way of cess for the development of oil industry may be levied on crude oil and natural gas produced in India.

The limits are proposed to be raised from Rs. 300 per tonne to Rs. 1,000 per tonne on crude oil and from Rs. 50 to Rs. 300 per 1,000 cubic metres on natural gas. The effective rate of cess on crude oil is proposed to be raised from March 1, 1987, from Rs. 300 to Rs. 600 per tonne. The proposals are expected to yield Rs. 800 crores by way of customs duty and Rs. 900 crores by way of cess with an equivalent reduction in non-tax receipts. These increases will be absorbed fully by the pool account and will not affect prices paid by the consumer in any way.

Apart from the above proposals, I

have proposed certain amendments in the finance bill seeking to effect changes in the excise and Customs tariffs. These amendments are merely enabling provisions and have no revenue significance. Besides, there are several proposals for amendments in existing notifications, excise rules which have merely procedural significance. In order to save the time of the house I do not propose to recount them. Provision in the finance bill is also being made for continuation of the levy of auxiliary duty of Customs and special excise duty.

Copies of notifications giving effect to the changes in Customs and excise duties effective from March 1, 1987, will be laid on the table of the house in due course.

My proposals in respect of customs and central excise duties outlined above are likely to yield additional revenue of Rs. 531.73 crores from customs duties and Rs. 431.80 crores from excise duties. The concessions and reliefs aggregate Rs. 464.81 crores on the customs side and Rs. 130.00 crores on the excise side.

The net additional revenue from customs duties thus would be Rs. 66.92 crores and that from excise duties Rs. 301.80 crores. In excise duties, the Centre's share would be Rs. 109.48 crores and that of states, Rs. 192.32 crores. Out of the total net additional yield of Rs. 368.72 crores, the Centre's

share would be Rs. 176.40 crores and that of the states, Rs. 192.32 crores.

BUDGET DEFICIT

I had earlier mentioned that the budget deficit at the existing rates of taxes would be Rs. 6,010 crores. The proposed tax measures, taken together with reliefs, are estimated to yield net additional revenue of Rs. 322 crores to the Centre.

This will leave an uncovered deficit of Rs. 5,688 crores.

This is significantly lower than the deficit for the current year. As mentioned earlier, I have decided that this shall not be exceeded. I have set in motion measures to implement this decision.

Mr. Speaker, sir, I am conscious of the enormous challenges that confront our economy. Some are inherent in the process of planned development in a democracy. But some are in the nature of a price that we have to pay for pursuing an independent foreign policy.

The people of India have asserted their independence and willingly accepted these burdens. Their heroic exertions, their sacrifices, and their unshakable confidence in their capacity to build the India of their dreams are a source of strength, inspiration and direction to me. Let us move forward with determination.

I commend the budget to the house

Report on Press Conference

Bombay THE TIMES OF INDIA in English 2 Mar 87 p 1

[Text]

The Times of India News Service NEW DELHI, March 1:

THE finance ministry today claimed that the Prime Minister, Mr. Rajiv Gandhi's budget for 1987-88 would be anti-inflationary.

The entire taxation strategy was aimed at bringing down prices of several mass consumption items, encouraging savings and giving protection to the domestic capital goods industry, the ministry said.

Briefing newsmen on the salient features of the budget, the finance secretary, Mr. S. Venkitaramanan, and the chief economic adviser, Dr. Bimal Jalan, admitted that the uncovered deficit of Rs. 5,688 crores was high. But they expressed their conviction of the deficit being contained within the budget estimate because a commitment to do so had been given by the Prime Minister himself.

The finance secretary also conceded that the government's hope for containing inflation within a reasonable

limit was to a major extent dependent on a favourable monsoon this year. "A favourable monsoon is overdue after three successive years of less than average rainfall."

Among others who addressed the news conference were the revenue secretary, Mr. V. C. Pande, the expenditure secretary, Mr. R. R. Gupta, the chairman of the board of direct taxes, Mr. C. K. Tikku, and the chairman of the board of excise and customs, Mr. J. Datta.

Mr. Venkitaramanan said the deficit in the current year went up to Rs. 7,000 crores because of the increase in defence expenditure and additional expenditure of Rs. 1,500 crores on account of the pay commission's report.

Asked about the steep hike in defence expenditure for 1987-88, he said this was necessitated by the threat to national security. "The answer to the increase in our defence budget has to be found in the defence budgets of other countries," he told a foreign correspondent who persisted with the question.

Replying to questions on the lack of response in the stock exchanges to the

budget, Mr. Venkitaramanan said: "It is not our fault if the capital market expected too much."

The reduction of the holding period for shares for the purpose of capital gains from three years to one year might have some bearish implications in the short run, but in the long run it would give stability to the capital market and lessen speculation in stock exchanges.

Dr. Jalan intervened to say that the measure would allow small investors to come to the market, who did not have much capacity for blocking their money.

It was explained that the budget gave a signal to the domestic capital goods industry that the government was there to give it protection. The duty on general imports and project imports had been made uniform at 85 per cent, because the facility of lower duty on project imports was being misused. The proposed measure, it was hoped, would encourage modernisation and lead to technological upgradation of a number of industries.

The finance secretary said the entire revenue package was so designed as to help the lower segments of Indian industry. Mr. Pande said reduction of import duty on special steel to 55 per cent would help the capital goods industry and, in some cases, even make them competitive in the export market.

Explaining the extension of the modified value added tax (Modvat), Dr. Jalan said that for the first time, the additional duty on the final product, which had been imposed to take care of the duty loss on account of a set-off

being given against duty paid on inputs, was proposed to be removed. This was expected to have a positive effect in bringing down prices, provided, of course, the benefits of Modvat were passed on to the consumer. The finance secretary said this could be ensured by a suitable consumers' movement.

Defending the floating of bonds by the public sector, Mr. Venkitaramanan said it would be wrong to deny the enterprises such as the railways, telecommunications or the power sector access to the capital market just because they were owned by the government. The limit for such funds had been fixed at Rs. 1,500 crores.

He maintained that tax incentives had to be given to make such bonds sufficiently attractive to match other attractions such as equity-linked debentures of the private sector.

Referring to the proposed new savings scheme, the finance secretary said it was an experiment and would not disturb the national savings certificate scheme.

Under the new scheme, Dr. Jalan said, tax exemption would be available when one saved. But when savings were withdrawn, these would be added to the income and taxed. The scheme was meant for those wanting to make a provision after retirement when the tax rate would fall.

Replying to a question whether India proposed to go in for a loan from the International Monetary Fund (IMF) or an adjustment loan from the World Bank, the finance secretary said: "There is no idea of going in for such a loan in 1987-88 or later. We will manage with our own resources."

/9274

CSO: 4600/1513

CABINET RESHUFFLE LIKELY AFTER BUDGET SESSION

Madras THE HINDU in English 25 Feb 87 p 9

[Article by G.K. Reddy]

[Text]

There will be a major reshuffle of the Central Cabinet at the end of May or in early June after the budget session of Parliament, when a new Finance Minister is due to be appointed leading to some consequential changes in the allocation of other major portfolios, according to latest indications here.

As the Prime Minister, Mr. Rajiv Gandhi, has decided to present the next budget, he must necessarily go through the ordeal of piloting the Finance Bill through Parliament with the assistance of the three Ministers of State now attached to the Finance Ministry.

But once he has completed this time-consuming task which is going to keep him preoccupied during the next 10 weeks, Mr. Rajiv Gandhi will be able to shed this heavy workload by appointing a Finance Minister capable of carrying out the new economic approaches spelt out in his budget. After having presented the budget, he would naturally like to make doubly certain that the new Finance Minister has the capacity to carry out his policies with dedication.

According to some of his confidants, the Prime Minister has realised that the practice of his holding important portfolios like Defence, External Affairs and now Finance as additional charges over long periods has had an unsettling effect at the higher levels of Government, often affecting the quality of administration. It is for this reason that he is reported to be inclined to entrust such key portfolios to full-time charge of senior Cabinet colleagues with requisite experience.

The habit of the Prime Minister holding External Affairs as an additional charge over long

periods, while entrusting only a Minister of State with undefined responsibilities of looking after the routine work of the Ministry in his name, had led to considerable disarray in the conduct of the country's foreign relations. Similarly, the recent Indo-Pakistan border crisis has made Mr. Rajiv Gandhi painfully aware of the inadequacies and hazards of leaving such a vast Ministry like Defence without a Cabinet rank Minister at the helm giving his undivided attention to high policy matters in close consultation with him.

So when the next Cabinet reshuffle takes place after the budget session, it is considered highly unlikely that the Prime Minister will keep any major portfolio as an additional charge even as a stop-gap arrangement. It is not only the foreign service establishment but also the three Defence Services that need the constant stewardship of full-time Cabinet rank Ministers with proper control over their junior colleagues. There is much greater need for a strong Cabinet Minister to run the vast web of the Finance Ministry with its wide-ranging powers of patronage and punishment with a sense of personal rectitude capable of inspiring public confidence in the probity of the Government.

Possible reason for delay

One possible reason for the delay in appointing a new Finance Minister earlier was the Prime Minister's inclination to go in for a wider Cabinet reshuffle after the coming Assembly elections in some States. The delayed poll in Haryana, for example, which would be the last in the current series of Assembly elections, would more or less coincide with the conclusion of the budget session of Parliament, when he would be able to take a wider view of the emerging political situation in the country.

/13104

CSO: 4600/1507

REPORT, COMMENT ON PRE-BUDGET ECONOMIC SURVEY

Summary of Contents

Madras THE HINDU in English 25 Feb 87 p 7

[Text]

NEW DELHI, Feb. 24.

The pre-Budget Economic Survey for 1986-87, presented to Parliament today, observes that as we enter the third year of the Seventh Plan, the overall indicators of economic performance are highly encouraging. Aggregate economic growth is proceeding according to Plan targets, the rate of industrial growth has increased and, despite three successive weak monsoons, the food situation remains comfortable. Inflation is under control and, in the current year, the trade deficit has been reduced significantly. The Survey notes that these are substantial achievements, made possible by a sound and responsive macro economic policy environment.

According to the Survey, growth in Gross National Product (GNP) is likely to range between 4.5 and 5 per cent in the current year. This would mean that real economic growth has averaged about 5 per cent a year in the last seven years, as compared to the previous long term growth rate of 3.5 per cent. Clearly, the economy has moved on to a higher growth path. The momentum of development is being sustained by the steady expansion of resources allocated for development. For the first time, in the first three years of the Plan, 63 per cent of target is likely to be fulfilled, in real terms.

Higher food stocks: The Survey notes that the 1986 monsoon was below average for the third consecutive year and was significantly worse than in 1985. Despite bad weather, foodgrain production in 1986-87 is expected to exceed the level of 150.5 million tonnes achieved in 1985-86. Food stocks with the public distribution system remain at a high level of 23.6 million tonnes on January 1, 1987 reflecting long term growth in foodgrain production and self sufficiency achieved in this sector. The resilience of our agriculture in the face of successive years of bad weather testifies to the soundness of our policies and programmes, which have emphasised a judicious combination of remunerative prices for the farm sector coupled with ambitious programmes for expanding the availability of key inputs, such as irrigation, fertilizer, pesticides and high-yielding varieties of seeds.

The year 1986-87 also saw a successful follow through of certain major Government initiatives in agriculture, which were aimed at boosting domestic production of sugarcane and oilseeds and thus reducing

reliance on imports. These policies have contributed to a substantial reduction in imports of sugar and edible oils in the current year.

Given the high level of food stocks, the Government was able to expand a number of schemes which provide food for employment and direct subsidised food to the unemployed and low income groups. In addition to providing foodgrains at highly concessional rates to tribal development project areas and nutritional programmes, the allocation of wheat and rice was much higher for the National Rural Employment Programme (NREP) and Rural Labour Employment Guarantee Programme (RLGEP).

Accelerated industrial growth rate: As indicated by the Survey, the new index of industrial production (base 1980-81) provides confirmation that industrial growth in recent years has been higher than previously recorded. According to the new index of industrial production, industrial growth accelerated to over 8.5 per cent in 1984-85 and 1985-86 from an average rate of 6.4 per cent in the preceding three years. Growth in the current year is also expected to be good. The new index reflects the composition of industry better than the old index (base 1970) especially in the manufacturing sector, which has witnessed the emergence of several new industries and fast growing small scale sector after the old index was constructed.

This improvement in industrial performance may be attributed in part, to the reduction, in recent years, of procedural impediments to industrial expansion and the growing emphasis on capacity creation, technology upgradation, competition and more economic scales of production. The beneficial effects of some of the measures taken in the last two years will be felt even more in the future when investment intentions and approvals get translated into physical plans, and these, in turn, into instruments in production.

The Survey notes that the Centre's revenues from major taxes, which increased by over 22 per cent in 1985-86 (revised), showed a further increase of around 17 per cent in April-December 1986, according to provisional data. Of particular interest is the buoyance in direct tax collections, which rose by about 23 per cent. Income and Corporate taxes (excluding from the oil sector) are estimated to have maintained this buoyance. The rapid increase in tax re-

Selected Economic Indicators

(Percentage change over previous year)

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
1. Gross National Product at 1970-71 prices	8.7	5.8	-4.7	7.4	5.4	2.6	8.0	3.7	5.1 ↑	4.5-5.0 *
2. Agricultural Production	14.3	3.8	-15.2	15.6	5.7	3.8	13.7	-0.9	1.9	1.0 *
3. Foodgrain Production	13.7	4.3	-16.8	18.1	2.9	2.8	17.6	-4.5	3.4	1.0 *
4. Industrial Production	4.2	7.6	-1.7	4.0	8.6	3.9	5.4	6.8	6.3	6.4 *
5. Electricity generated (utilities only)	3.4.	12.2	-2.1	5.9	(9.3)	(3.2)	(6.7)	(8.6)	(8.7)	(7.8) *
6. Wholesale prices (on point to point basis)	0.3	4.6	21.4	16.7	10.2	6.6	7.6	11.6	8.6	10.3 *
7. Monetary resources (M ¹)	18.4	21.9	17.7	18.0	12.5	7.3	8.2	7.6	3.8	5.9 *
8. Imports (at current prices)	18.7	13.1	34.2	37.3	8.4	16.1	18.1	18.9	15.9	15.7 *
9. Exports (at current prices)	5.2	5.9	12.1	4.6	16.3	5.0	10.8	8.5	15.1 §	1.4 *
10. Foreign exchange reserves (including gold & SDRs — end of period Rs. crores)	4862	5921	5934	5544	4024	4782	5972	7243	7820	7060 *

@ Quick estimates.

§ Over the corresponding partially revised figures of the preceding year.

* Anticipated. See text.

** April-October, 1986 (Estimated).

1. April-October 1986 over the same period of 1985.

2. April-December, 1986 over the same period of 1985.

3. Between March 29, 1986 and January 24, 1987.

4. Between March 31, 1986 and January 2, 1987.

5. April-November 1986 over the same period of 1985.

6. January 31, 1987.

Note: Index of Industrial Production from the year 1983-84 is based on CSO's re-distributed weights.

The growth rates based on the revised series of industrial production (base 1980-81) are given in parenthesis.

venues after 1984-85 tends to confirm the soundness of the Government's approach.

Despite the enviable record in raising revenues, the Survey cautions that the Government's resources position remains under pressure because of rapid increase in expenditure commitments, especially on non-Plan account. The rapid growth in non-Plan expenditure has kept the Centre's budget on revenue account in deficit throughout this decade and this deficit has increased steadily in the past five years. As a result the Government has had to rely increasingly on domestic borrowings to meet its expenditure commitments on revenue account. The pressures on the Government's fiscal position found reflection in monetary developments, with the growth in overall liquidity (M3) in the first nine months of 1986-87 registering an increase of 15.7 per cent, as compared to a rise of 13.3 per cent in the same period of 1985-86.

The current year also saw the implementation of some of the major recommendations of the Committee to review the working of the monetary system, including the introduction of monetary targeting, on an experimental basis, the decision to improve presentation of information relating to the Government's budgetary deficit, the introduction of new 182 days Treasury Bills with flexible rates determined on the basis of monthly auctions and increased yields on long-term Government securities together with reduction of the maximum maturity period.

Decline in trade deficit: As pointed out in the Survey, in anticipation of the emerging pressure on the balance of payments, the Government undertook a series of corrective measures, during the course of 1985-86 and 1986-87 to boost the growth of exports and curb the increase in imports. A wide range of export enhancing initiatives were launched during this period. On the import side, the focus was on measures to encourage indigenous production of key bulk import items such as sugar, edible oils and fertilizers. These measures together with the sharp fall in international prices of crude oil contributed to the healthy increase of 17.3 per cent in exports, in rupee terms, in April-November 1986 compared to the same period of 1985 and the curbing of import expansion to only 1.4 per cent over the same period. Excluding crude oil, exports increased by 19.6 per cent. As a result, the trade deficit in April-November, 1986 showed a decline of 18.3 per cent or Rs. 1,001 crores as compared to the value attained in April-November, 1985.

The Survey goes on to describe a number of industrial policy initiatives taken during the current year. The basic thrust of industrial policy has been growth-oriented in order to boost production and generate employment, with particular focus on small industry and the manufacturing sector. The capital market has witnessed remarkable growth in recent years with new issues approvals of Rs.5,070 crores in April-January, 1986-87, compared with Rs.2,003 crores and Rs.3,695 crores in the full financial years of 1984-85 and 1985-86 respectively.

Record power generation: The Survey observes that the good record of industrial production also reflects the removal of bottlenecks. The current year will be the third successive high growth year in the infrastructure. Electricity generation in April-December, 1986 was more than 10 per cent higher than the corresponding period of 1985. This year's Plant Load Factor (PLF) for thermal power plants at 51.5 per cent is the highest in seven years. Revenue earning railway freight recorded an increase of nearly seven per cent in the first nine months of 1986-87, as compared to an annual average rate of increase of about four per cent in the Sixth Plan period. This is particularly creditable as it follows a high growth in excess of nine per

cent in 1985-86. Another core industry showing good performance this year is the coal sector. The growth in coal production at 8.7 per cent, has been the highest in the last five years.

Stable food prices: According to the Survey, it is likely that 1986-87 will end with an inflation rate of around 6.5 per cent as measured by the Wholesale Price Index (WPI). This is considerably below the average annual price increase of about eight per cent over the last decade and suggests that the overall price situation in the economy is within control. However, the Survey notes that the rise in the Consumer Price Index (CPI) (for industrial workers) of 7.8 per cent between March and December, 1986 was once again higher than for the WPI. The Survey cautions that this is a matter of concern; the price situation would need to be kept under careful surveillance.

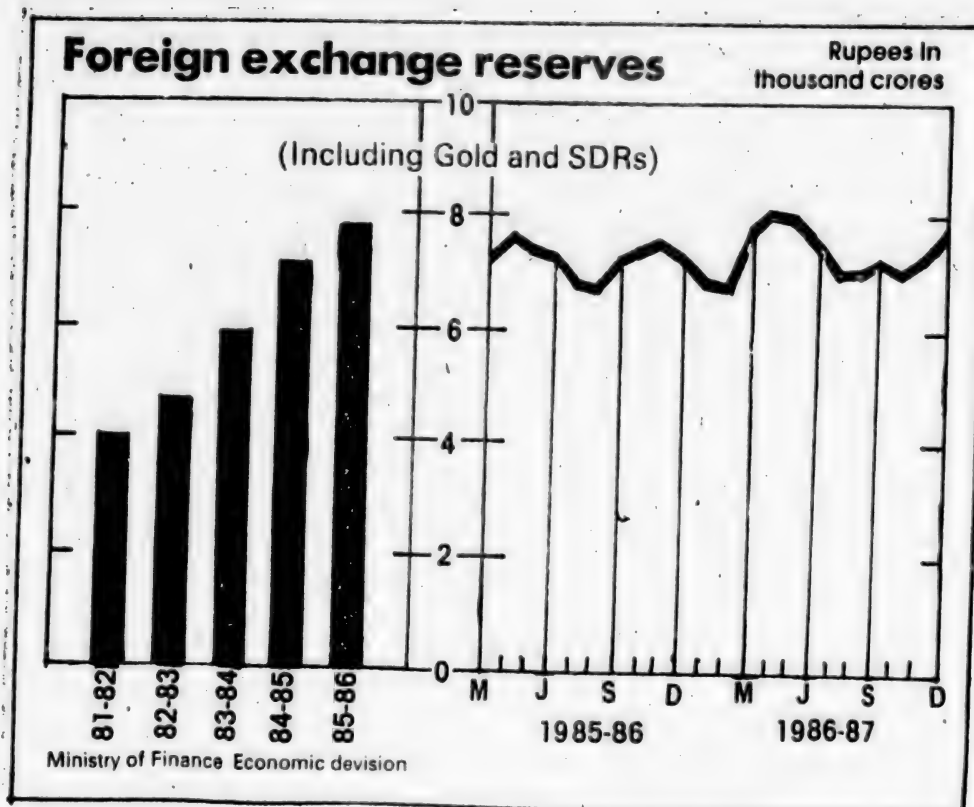
Prices of foodgrains in 1986-87 have been more stable than in 1985-86, increasing at an underlying rate of a four per cent compared to around 6.5 per cent last year. On the other hand, prices of agricultural commercial crops have increased substantially, rebounding from the sharp falls in prices of commodities such as jute, raw cotton, tea, condiments and spices last year.

The sharp increase in prices of edible oils and oilseeds this year contributed to the rise in the price indices. The current year's price increase, however, should according to the Survey, be seen in the context of falling prices in the preceding two years. In part, the price rise reflects the Government's deliberate policy to boost domestic production of edible oils and reduce imports. In order to reduce fluctuations, the Government has been following a contracyclical policy in respect of edible oil releases. During the harvest season, releases have been reduced to maintain good prices for growers; as the lean season approaches, more edible oil is being released.

Fiscal and monetary policy: The Survey states that the year 1986-87 witnessed far reaching reforms in fiscal policy which carried forward the process initiated in the previous year. Steps were taken to implement most of the key proposals in the Long Term Fiscal Policy. The principal objectives guiding these reforms have been to simplify the tax structure, establish a regime of reasonable tax rates combined with better administration and enforcement to improve compliance and raise revenues, foster a stable and predictable tax policy environment, usher in an open approach to budget making and make the tax structure more conducive to growth and equity.

Highlights of the fiscal policy initiatives undertaken during the year include an overhaul of the excise tax structure through the introduction of modified value added tax (MODVAT); the launching of a simple and more growth oriented scheme of excise duty concessions for small scale units; simplification and rationalisation of gift and capital gains taxation; enhancement of income tax concessions to exporters; introduction of the new investment deposit account scheme to replace the existing scheme of investment allowance; systematic steps to curb rapid tax evasion including, for example, the empowering of Government with a pre-emptive right to purchase properties above certain value; the introduction of a series of new financial instruments to help mobilise resources for the public sector and measures to improve control over expenditure.

Buoyancy in revenues: The Survey notes that the Centre's revenues from major taxes, which increased by over 22 per cent in 1985-86 (revised), showed a further increase of around 17 per cent in April-December, 1986, according to provisional data. Of particular interest is the buoyancy in direct tax collections, which increased by about 23 per cent. Income and



Corporate Taxes (excluding from the oil sector) are estimated to have maintained this buoyance. The rapid increase in tax revenues after 1984-85 tends to confirm the soundness of the Government's approach.

However, the overall foreign exchange reserves movements in which reflect the net result of all transactions in the external sector of the economy, recorded a decline of Rs. 160 crores by the end of January 1987, as compared to an increase of Rs. 577 crores in 1985-86. Nevertheless, the Survey assesses overall foreign exchange reserves position to be comfortable with holdings equivalent to over four months' import requirement.

Problems and prospects: Looking ahead, the Survey draws attention to the importance of controlling Government expenditure. It notes recent initiatives in this regard including the evolution of a system of commitment budgeting to ensure adequate funding of worthwhile on-going schemes and to avoid spreading available resources too thinly over too many projects and programmes. It cautions that careful security and control of expenditure will command the highest priority in the years ahead. In its view the underlying approach to expenditure control must continue. It notes that the system of zero-base budgeting can facilitate a systematic pruning of low priority expenditure.

The Survey emphasises the importance of improving further the resource generation from the public sector. To maintain the momentum of investment and growth and to ensure that the Seventh Plan is funded in a non-inflationary manner, it is vital to increase the efficiency of and surplus generation by public sector undertakings. To cope with the strain on the resources position, the Survey also underlines the need to maintain buoyancy of tax revenues through continued improvements in tax administration and enforcement.

The Survey notes with concern, that the increase in the CPI (for industrial workers) was higher than in the WPI during the current year. It calls for careful monitoring of the price situation particularly in the light of limited manoeuvrability for short-term supply management through imports because of continuing constraints on the balance of payments. Hence the Survey notes that it will be necessary to continue with fiscal and monetary policies that curb aggregate demand, while improving domestic supply, particularly of key commodities.

The Survey reiterates the cautionary note sounded in the preceding years regarding the balance of payments situation. A number of adverse factors, including the deceleration in domestic oil production, protectionist trends in international trade, a significant rise in debt service on past borrowings, the diminished prospects for concessional assistance, the anticipated recovery of international oil prices and a less buoyant outlook for the inflow of remittances from Indians working abroad have been noted. The Survey believes that these adverse factors will continue to exert pressure on the balance of payments throughout the rest of the decade and into the 1990s.

The key to a viable balance of payments lies with strong and sustained growth of exports and efficient import substitution. While the Survey recognises the difficult environment for international trade, it points out that India's exports account for hardly half a per cent of world exports, a fact which suggests substantial opportunities for growth. To achieve this potential, the Survey favours strengthening the thrust of current policies to improve exports by systematically removing procedural and infrastructural bottlenecks. The Survey also attaches high priority to reducing the dependence on import of petroleum products through strong energy conservation measures and increase in domestic production. Success has already

been achieved in reducing the import of other bulk commodities—edible oils, sugar and fertilizer. It is necessary to strengthen policies for higher domestic production in these areas.

Observing that agriculture continues to be the most important sector of the economy with 75 per cent of population still living in rural areas, the Survey believes that rapid and broad-based agricultural growth is a prerequisite for maintaining the pace of overall economic development and tackling deep-seated problems of rural poverty. As in the preceding years, the Survey underlines the importance of spreading the fruits of technical progress in agriculture to regions and crops where improvements in yields and practices have lagged behind. The Survey observes that the strategy of poverty alleviation rests on the twin planks of rapid and sustained growth in overall output, employment and incomes, coupled with direct anti-poverty programmes for expanding employment and income-earning opportunities for those below the poverty line. The Survey favours vigorous efforts to step-up utilisation of food in anti-poverty programmes.

'Rosier...Than Warranted'

Bombay THE TIMES OF INDIA in English 25 Feb 87 pp 1, 9

[Article by Praful Bidwai]

[Text]

THE *Economic Survey* presented to parliament yesterday paints a rosier picture of the Indian economy than is warranted by the numerous trends it itself documents over more than 180 pages.

It pleads strongly for a continuation of the government's neo-liberal policy, which it holds to be the principal determinant of the "substantial achievements" registered by the economy during the current fiscal year: a five per cent rate of GNP growth and a seven to eight per cent increase in industrial production with inflation "under control".

Not everyone will share the optimism that underlies the *survey*, but few will deny that over the past two years, there has been some growth (in cases fairly strong growth) in certain sectors of industry, a modest increase in agricultural yields, an improvement in the government's tax revenues and at least a temporary decrease in the foreign trade deficit (this in the first nine months of 1986-87).

Whether all this adds up to "strong evidence" that the economy in the mid-eighties is "on a new growth path" is disputable. India's GNP has registered, going by official figures, an average annual growth of a little over

4.5 per cent right since 1974-75. The *survey's* projections for 1986-87 are roughly in the same range: 4.5 to 5 per cent.

Many other conclusions drawn by the authors of the *survey* are open to dispute, especially those pertaining to Indian agriculture, the price situation, balance of payments, industrial growth and government expenditure.

To take agriculture first, the *survey* draws considerable relief from the fact that the foodgrains output is expected

to register a growth of one per cent in 1986-87 despite the drought that gripped many states. It sees in this evidence of the "resilience" of Indian agriculture. But it is also possible to see in this a progressive degeneration of large tracts of the country as far as productivity and output go, and its growing dependence on roughly a third of all land for the bulk of its foodgrains requirements.

No less worrisome is the trend towards relative stagnation in yields that is now in evidence in the areas which led the green revolution not so long ago. Thus, in the country as a whole a five to seven per cent increase in fertiliser use now leads to a much

smaller rise in output (only one per cent this year), even as state after state (Maharashtra, Gujarat, Karnataka, Kerala and West Bengal, at last count) comes under the threat of utter land devastation.

The *survey* is, regrettably, silent on this; and it makes only a cursory reference to the fact of stagnation in the offtake of foodgrains from the public distribution system and in per capita grain consumption even as stocks mount to nearly 24 million tonnes. This is surely one of the most disturbing features of the Indian economy, a grave structural problem to which the government's policies have singularly failed to find a solution. It is remarkable that the *survey*, otherwise so eloquent in praising the new policy orientation, should be silent on this question.

On the infrastructure, the *survey* emphasises that the power generation has improved by 10.3 per cent in the first nine months of the current financial year and that the plant load factor has increased to a record level. But the record level is only 51 per cent and can be substantially improved. Similarly, while the railways carried 6.6 per cent more revenue earning goods in the same period, they had registered a higher growth of 9.4 per cent in 1985-86. There can be no doubt

that the infrastructure is doing somewhat better; but it is not clear if its performance can sustain a great deal of optimism.

No amount of optimism can remove the worry people feel over the price situation. While a year ago, the official wholesale price index had risen by only 3 per cent over the preceding 10 months, this year it has registered a 6 per cent increase. The consumer price index, a more reliable indicator, recorded an increase of 8.9 per cent last year and is now rising at the rate of 8 per cent or more.

This is linked to the 15.9 per cent expansion in money supply that has already taken place this year. It is far from clear if the annual inflation rate (which rose on a point-to-point basis from 8.2 per cent to 9.2 per cent between April and December) will fall in the coming month. At any rate, it does take an optimist to claim that the price situation, now marked by its closeness to the double digit level, is "under control".

As on prices, so on foreign trade too, the survey is not quite convincing. True, the exports rose by 17 per cent in the first nine months of 1986-87, thus narrowing the trade gap somewhat, but as is well-known, the rise in exports is substantially connected with the fall in

the value of the rupee on the world market. Besides, the slow growth in imports (explained largely by the fall in crude prices and a decline in the imports of sugar, fertiliser and edible oils) may not be sustained if, as petroleum economists predict, oil prices rise from today's rock-bottom levels.

At any rate, Indian exports have now lost a great deal of their competitiveness in industrial and high value-added goods; all the major "boom" export areas are raw materials, primary commodities or processed goods and semi-manufactures. It should be cause for worry that the balance of payments deficit on current account will be of the order of 1.6 to 1.7 per cent on the GDP. The survey is more candid here: "it seems clear that the adverse factors exerting pressure on the GDP can be expected to persist throughout the rest of the decade... debt service on past borrowings is expected to increase..."

It is on its discussion of the industrial performance that the survey will draw the most flak from economists. Part of the reason for this is the controversial shift to a new index of industrial production with 1980-81 as the base. The reason proffered for the shift and the weights accorded to different industry groups will all provoke a debate. It is possible to ask if jemo-cutting or screwdriver-technology-and-CKD-imports-based electronics deserve a high weight.

But leaving that aside, the survey's presentation of an industrial boom is one-sided. It is difficult to imagine a healthy industrial uptrend in a situation where the machine tools output (in value terms) actually declines — probably for the first time in two decades, and a host of industries such as non-ferrous metals, diesel engines, bicycles, agricultural equipment, electric lamps, radio receivers and textile

mills register a fall in output.

As has been argued earlier by this writer (February 16), it is difficult to sustain much optimism about new investment in industry; at least the fall in sanctions by the development banks to new industrial projects tells a different story. Such trends do not speak of a bright industrial future. Nor do the excessive and repetitive imports of technology packages (three collaboration agreements are now being signed every day) which often work against the indigenous R and D base built in certain sectors.

The survey is relatively frank in highlighting the problem of growing dependence of the government on borrowing (for all their buoyancy, itself probably fast approaching a plateau, tax revenues are not enough). Reserve Bank credit to the Centre increased by 59.6 per cent in the first nine months of 1986-87 over the same period in the previous year. Other bank credit too rose by 34.5 per cent. The problem of the increasing costs of public borrowing is also becoming more and more acute.

As a remedy, the survey recommends cuts on the government's non-plan expenditure, two-thirds of which is accounted for by defence, interest payments and subsidies. It is impossible to see how in the existing circumstances, any large cuts can be imposed. The prospect of a yawning budgetary gap is thus real. So is the threat to the plan.

In other words, the resources crunch will remain. It is here to stay. It will form the backdrop to the Union budget to be presented by Mr. Rajiv Gandhi next Saturday. How he fares in his tight-rope-walking act, balancing policy against policy, expenditure against revenue, and imposts and duties against incentives and concessions, will be watched with interest.

CPI NATIONAL COUNCIL SECRETARY MEETS PRESS

New Delhi PATRIOT in English 20 Feb 87 p 6

[Text]

Jammu, Feb 19—CPI National Council secretary M Farooqui today expressed serious doubts about Pakistan President Ziaul Haq's intentions behind his forthcoming "friendly visit" to India against the disturbing backdrop of yet another massive dose of American military aid to the neighbouring country.

Addressing a press conference here, Mr Farooqui said that suppressed democratic opinion in Pakistan favoured Indo-Pak amity and this trend needed to be strengthened from across this side of the border by all patriotic forces. For this purpose he stressed improvement in relations with Pakistan but expressed doubts about intentions behind Zia's visit in the present jarring setting of fresh induction of military hardware into an area which the US had marked as of great strategic importance in its formulation.

Mr Farooqui welcomed the outcome of Mizoram election, and hoped that Congress would not create hurdles in Ialdenga's way. He said that MNF leaders should be allowed to form government freely as desired by the electorate.

The CPI leader said that BJP was playing contradictory role in Punjab in its bid to sharpen its offensive for

communalising the Indian politics in a big way. He pointed out that on the one hand, the BJP was opposing extremists but on the other it was lending them indirect support by making common cause with them in destabilising the Barnala Government by seeking imposition of President's Rule in Punjab.

He said that BJP was trying to communalise election in Jammu on the same pretext while Muslim fundamentalists were doing the same in Kashmir valley though in a different direction. CPI would oppose both and expected ruling alliance of National Conference and Congress to follow suit. Mr Farooqui said that though confrontationist policy of Congress in this State had proved to be disastrous its alliance with National Conference was unprincipled and motivated by petty considerations of power. He hoped that Congress would not wreck this arrangement like it had done to undermine Kashmir accord with late Sheikh Abdullah resulting in encouragement to communal and separatist forces in the State.

Mr Farooqui said that differences between CPI and CPI-M over Gorkhaland issue would not come in way of their unity in West Bengal.

/9274

CSO: 4600/1496

REPORT ON GANDHI PREELECTION VISIT TO MIZORAM

Bombay THE TIMES OF INDIA in English 15 Feb 87 p 9

[Text]

AIZAWL, February 14.

THE Prime Minister, Mr. Rajiv Gandhi, reminded the people of Mizoram that the Congress has kept its promise made in the last election to bring back peace to the troubled land. He added that Indira Gandhi had many years ago promised statehood for the people of Mizoram and today her party had once again fulfilled that promise.

Mr. Rajiv Gandhi drove home the point that a duly elected Congress government of Lalthanhawla, had willingly stepped down from power and sacrificed its position for the sake of peace. Now that this has been achieved, the time has come to concentrate on the economic development of Mizoram. Mr. Gandhi said that for this important task, a person of strength and dedication was required and "That man is Mr. Lalthanhawla." With this he appealed to the people of Mizoram to strengthen the hands of Mr. Lalthanhawla and opt for the peace and prosperity of "your beautiful land."

The Prime Minister was speaking at a moderately attended public meeting at the Assam Rifles ground in Aizawl. This was in marked contrast to the tremendous crowds he attracted when he and Mrs. Sonia Gandhi visited Aizawl soon after the signing of the Mizo accord last year.

The Congress has been banking heavily on the Prime Minister's election campaign to bolster its chances in Monday's elections. Despite Mr. Gandhi's personal popularity in Mizoram, his whirlwind two-day election campaign, has not evoked as much enthusiasm as was earlier expected. Hopping from place to place in a helicopter, Mr. Gandhi addressed 12 meetings including one in the deputy chief minister, Mr. Lalthanhawla's Serchhip constituency. Other places visited by him include Vairangle, Mamit, Lunelpi, Tlabung, Lawngtlai, Saiha,

Lungla, Champai, Aizawl, Kawnpui and Kolasib.

An unexpected visitor to the Prime Minister's public meeting was chief minister Laldenga and his wife. They were there not only to welcome the Prime Minister but sat through the entire meeting and listened to Mr. Lalthanhawla's attack on the MNF.

The former chief minister, who spoke before Mr. Gandhi, countered the MNF criticism of the Congress as a party of "Vais" which in Mizo means an "outsider" and is generally a term used for all non-Mizos. Mr. Lalthanhawla said that the constant harping on the point of "Vais" was useless, considering that Mizoram depended entirely on "Vai" money and "Vai services". He also told the people that the MNF claim that they could bring money and resources from outside the country for the development of Mizoram was impossible as strict foreign exchange regulations controlled such transactions. The MNF, in order to convince people who have been told repeatedly by the Congress that money for development could come only when the state Congress was in power in Aizawl, had explained that Mr. Laldenga need not depend only on Delhi's money but could get aid from other countries.

The Prime Minister also said that Mizo religion and culture would be protected by the government, and in fact the Congress had always ensured that the tribals of the north-east had perfect freedom to practice their religion and maintain their culture. The Prime Minister's reference was in answer to the MNF campaign that the Congress was a party of Hindus.

The question of a greater Mizoram, through the amalgamation of all Mizo inhabited regions, in Manipur, Assam, Burma and Tripura which was raised by Laldenga soon after the accord, has

once again been revived. The issue, strangely enough, has not been resurrected by Mr. Laldenga and the MNF, but by the People's Conference which is understandable and also by a national party like the Congress.

In fact, it is the first point in the Mizoram Congress manifesto. Considering that the Prime Minister had during his last visit to Mizoram, categorically turned down the idea and the chief ministers of Tripura, Assam and Nagaland had staunchly opposed the move, it is strange that the Congress should once again bring up the question.

A PIPE DREAM

Mr. Lalthanhawla openly defended this stand saying, "Every Mizo wants such a unification. So what is wrong when we try to attain it by democratic means". Considering the passions raised all over the country over the question of inter-state boundaries, one wonders how Mr. Lalthanhawla can persuade the neighbouring states to willingly allow the Mizo inhabited regions to be united with Mizoram.

In the reality of the present Indian situation, the entire idea is at best a pipe dream, projected in the Congress manifesto to woo the public. The Congress in Mizoram which is being dubbed as "a party of dhotiwalas" by the MNF, is probably out to prove to the MNF that they are no less Mizo nationalists than Mr. Laldenga's party.

The MNF, which has been the most vocal on the issue after the signing of the accord, has since then not raised the demand, nor is it a part of the MNF manifesto. When questioned, Mr. Laldenga said "the demand for a greater Mizoram is too important to be reduced to just an election issue. It is a political question which will have to be sorted out within the framework of the Indian constitution."

MIZORAM, ARUNACHAL PRADESH BECOME STATES

Madras THE HINDU in English 21 Feb 87 p 9

[Text]

AIZAWL, Feb. 20.

Mizoram and Arunachal Pradesh today became the 23rd and 24th States of India. The Prime Minister, Mr. Rajiv Gandhi, was present at the special functions held in Aizawl and Itanagar to mark the administrative transformation in the strategically-located areas of the North-eastern region.

A new Mizo National Front ministry headed by Mr. Laldenga assumed office in Mizoram, co-inciding with the grant of Statehood.

Congratulating the people of the new States, the Prime Minister hoped Statehood would herald a new era of peace and prosperity in the region.

The Prime Minister described as 'unfortunate' the two decades of insurgency in Mizoram which had shattered the economy of the area. 'But let us forget the past now and move onwards in our quest for peace and prosperity,' he said. Mr. Gandhi promised the two States all help from the Centre for economic development.

Governor sworn in: The Assam and Meghalaya Governor, Mr. Bhishma Narayan Singh, was sworn in as the first Governor of Arunachal Pradesh at a simple, but impressive function at the Raj Bhavan in Itanagar. The oath of office and secrecy was administered to Mr. Singh by the seniormost judge of the Guwahati High Court, Mr. Justice B. L. Hansaria.

Later, Mr. Singh administered the oath of office and secrecy to Mr. Gegong Apang as the Chief Minister of Arunachal Pradesh. All the six Cabinet colleagues of Mr. Apang also took the oath collectively. They are: Mr. Todak Basar, Mr. Khapriso Khrong, Mr. Todak Dolum, Mr. Tsering Tashi, Mr. Takar Techi and Mr. Mukut Mithi.

Arunachal Pradesh was made a Union Terri-



tory in 1972. Prior to that it was known as the North-East Frontier Agency (NEFA). Though NEFA was constitutionally a part of Assam, it was administered separately by the representatives of the Governor of Assam.

Mr. Bhishma Narayan Singh is also the chairman of the North Eastern Council which comprises the States of this region, including Arunachal Pradesh.—PTI and UNI

FINAL FIGURES IN MIZORAM ELECTIONS GIVEN

Madras THE HINDU in English 20 Feb 87 p 9

[Text]

AIZAWL, Feb. 19.

The detailed voting figures available now in Aizawl of last Monday's Assembly poll in Mizoram indicate that while the Congress has undoubtedly fared poorly and the People's Conference disastrously, it is too early to speak of the Mizo National Front achieving total dominance in Mizoram. The final tally of the 40 seat Assembly is 24 for the MNF, 13 for the Congress and three for the People's Conference. The MNF's margin of victory is substantial but not overwhelming and the party will have to reckon with a lively opposition in the Assembly.

More interestingly, the Congress which set up candidates for all the 40 seats (one of its candidates was elected unopposed) has come second in as many as 18 constituencies. In 15 of these, it lost to the MNF and in the remaining three to the People's Conference. In all these constituencies barring five (Tawipui, Khawzawl, Sateek, Aizawl South I and Aizawl South II) its share of votes was substantial and if its votes were to be added to those polled by the People's Conference the total was more than the votes secured by the MNF.

Indeed the figures clearly reveal that the MNF has won its victory on a minority vote though its triumph has certainly been impressive, considering that it had hardly a few months to build an overground party organisation. Barring the constituencies of Lunglei South, Tawipui, Khawzawl, Sateek, Aizawl South I, and Aizawl South II the MNF has won all the other 18 seats on a minority vote. The results thus clearly establish that the Mizo electorate is now virtually polarised into two camps headed by the MNF and the Congress.

Grim message

This development has a grim message for the People's Conference, once the ruling party and even now active in the ongoing efforts in the North-East region to forge an alliance of regional political parties. All its stalwarts have been defeated. Its lone victory in Chhimtuipui district (Sangau) has been more due to personal factors surrounding the candidate than to any strong organisation of the party itself in the area. More grievously the party has drawn a blank in Lunglei district which returned its two stalwarts the former Chief Minister, Brig. Sailo and the former Finance Minister, Mr. Lalmingthanga, even during the last elections when the party was routed in Aizawl district. In Aizawl district where the party had won six seats in 1984, it has been able to retain only two (Ngopa and Lungpho).

A four member new Government headed by Mr. Laldenga is being sworn in in the presence of the Prime Minister, Mr. Rajiv Gandhi tomorrow at the Assam Rifles parade ground here. The new State of Mizoram is also being formally inaugurated by the Prime Minister tomorrow.

PTI reports:

Mr. Laldenga today submitted all the three names of the Ministers, belonging to the MNF, of the interim coalition Government to the Lt. Governor, Mr. Hiteswar Saikia, for inclusion in the new Ministry. They are the P.W.D. Minister, Mr. Zoramthanga, the Rehabilitation Minister, Mr. Tawnluia, and the Revenue Minister, Mr. Rualchhina.

/9274

CSO 4600/1496

BAHUGUNA TELLS PRESS OF TROUBLES IN LOK DAL

Calcutta THE STATESMAN in English 27 Feb 87 p 1

[Text] NEW DELHI, Feb. 26.—Even as the Ajit Singh faction of the Lok Dal "removed" Mr H. N. Bahuguna from the office of Lok Dal acting president, Mr Bahuguna declared at a Press conference that there was no national executive of the party and its meeting this evening was "unlawful". The Ajit Singh group did not elect him the new acting president and said that Mr Charan Singh was the president and he would act when the need arose.

At a Press conference this evening Mr Satya Prakash Malaviya, who was restored as general secretary of the party along with Mr Ajit Singh, said that 25 out of 45 members attended the national executive meeting. Most of the participants named by him were from Uttar Pradesh.

The appointment of Mr Mula-yam Singh Yadav as Uttar Pradesh Lok Dal president on February 21, was held to be invalid and all actions taken by him declared illegal and ineffective. Mr Malaviya said that Mr Nathu Ram Mirdha who had "designated himself as chairman of the disciplinary action committee" was also removed. Mr Lalji Verma was removed as president of the Uttar Pradesh Yuva Lok Dal.

The expulsion from the primary membership of the Lok Dal, of Mr Satyapal Singh Yadav, the new leader of the Opposition in Uttar Pradesh. Mr Ajit Singh, general secretary of the Lok Dal, Mr S. P. Malaviya, Mr Rashid Masood, and Mr Capal Singh, organizing secretary, was declared illegal and ineffective. They "continue" to hold their posts. It was decided that an open session of the Lok Dal

would be held in Delhi on March 5 in the Ferozeshah Kotla ground.

The executive warned the other group that anybody organizing a special convention of the Lok Dal on March 8 "will be making liable to disciplinary action." Only the national executive was authorized to call an open session or special convention.

Mr Mirdha who was appointed observer for the Uttar Pradesh Lok Dal Legislature Party has been directed not to proceed to Lucknow to hold a meeting of the legislature party either on February 28 or any other date. If Mr Mirdha tried to hold the meeting, "it will be an act of gross indiscipline. All those members of the Uttar Pradesh Assembly of the Lok Dal either abetting or attending that meeting will be severely dealt with."

The executive held that Mr Satyapal Singh Yadav is the validly elected leader of the Lok Dal Legislature Party and thereby leader of the Uttar Pradesh Lok Dal and Opposition. The meeting passed a resolution praying for the speedy recovery of Mr Charan Singh.

Mr Bahuguna claimed that Mr Qasim had requested Mr Malaviya for a meeting with Mr Charan Singh to inquire about his health but had received no reply.

He claimed that even if there was a national executive it could be convened only by the party president or by the acting president. The meeting he said was null and void and so were its decisions. The convention of March 8 was being "called by a rump or a coterie", he alleged.

/13104

CSO: 4600/1509

SPLIT IN LOK DAL EXTENDING TO RAJASTHAN

Bombay THE TIMES OF INDIA in English 1 Mar 87 p 9

[Text] **T**HE widening split in the Lok Dal at the national level is fast extending to the Rajasthan unit of the party.

With the top leaders of the state unit of the party, divided between the two central factions that of Mr. Bahuguna and Mr. Ajit Singh—there are indications that the state committee of the party and the 27-member legislature party, the second largest opposition party in the Rajasthan assembly, would also split. Faction leaders have initiated behind-the-scene preparations for taking a large number of party workers to the ensuing national open sessions—of the Ajit Singh faction on March 5 and of the Bahuguna faction on March 8—both to be held in New Delhi.

In a day of the fast developments, Mr. Nathuram Mirdha, president of the state unit, left for Lucknow to function as the "Central Observer" at the legislature party meeting of the Uttar Pradesh Lok Dal, to be convened by the Bahuguna faction on Saturday.

On the other hand, Mr. Daulat Ram Saran and Mr. Kumbha Ram Arya, prominent leaders from Rajasthan, who had attended the 'national executive meeting' of the Ajit Singh faction at New Delhi on Thursday, returned here yesterday and have started a mobilisation drive for the March 5 meet.

The Ajit Singh faction's meeting has given a big blow to Mr. Mirdha by removing him from the chairmanship of the disciplinary action committee of the party. While removing him, the executive described Mr. Mirdha as a "self-appointed chairman of the committee and one who posed to be the observer for U.P. The meeting had directed Mr. Mirdha not to proceed to Lucknow for holding the meeting "on, after or before February 28"

State leaders of both the factions, maintaining an interesting argument "that there was no split in the party"

put forth contradictory claims. A spokesperson of the Ajit Singh faction claimed that 18 MLAs were with them, while an aide of Mr. Nathu Ram Mirdha claimed that the majority of the party legislators were with the Bahuguna faction.

The Rajasthan farmers' union of Mr. Saran held a rally at the collectorate yesterday as part of its agitation demanding increase in the supply of power and water and higher prices for farm produce. Though the rally was smaller compared to those of last year, there was an "atmosphere of emergency and mobilisation" at the meet, observers pointed out.

Mr. Saran, engaged in consultations with the farmers' union aides on the sprawling lawns of the collectorate, told the TOINS: "Let us talk about the plight of farmers. That is more important than the splits and divisions in political parties, which is a regular feature these days."

On the other hand, the Bahuguna faction, claimed that the majority of the rank and file in the party was with it. The faction claimed to have the support of many legislators, including Mrs. Sumitra Singh.

Observers are of the opinion that the groupings will be clear only after the all-India sessions of the rival factions.

Meanwhile, prominent opposition parties in the state, especially the Janata Party and the BJP, would make efforts to maintain a "friendly atmosphere in the opposition camp", party representatives revealed. A BJP leader said, "It was only in Rajasthan that the opposition parties fared reasonably well in the 1985 elections in the northern India. Pointing out that there was and were always two groups in the Lok Dal in Rajasthan, one led by Mr. Mirdha and, the other led by Mr. Saran, he said the new 'formal split' would not dampen the opposition morale"

"Our strategy would be to keep both the factions of the Lok Dal in the opposition group and rally all the opposition parties for joint action", he explained.

BILL ON HINDI TEXT OF CONSTITUTION INTRODUCED

Calcutta THE STATESMAN in English 2 Mar 87 p 11

[Text] NEW DELHI, March 1.—The Government on Friday, introduced in the Lok Sabha a Bill to amend the Constitution to provide for an authoritative text in Hindi of that document.

The amendment will be through a new Article, numbered 394A in part XXII, with an appropriate change in the heading for that part.

The new Article is: "394A. (1) The President shall cause to be published under his authority— (1-A) the translation of this Constitution in the Hindi language signed by members of the constituent assembly, with such modifications as may be necessary to bring it in conformity with the language, style and terminology adopted in the authoritative texts of Central Acts in the Hindi language, and incorporating therein all the amendments of this Constitution made before such publication; and

(B) The translation in the Hindi language of every amendment of this Constitution made in the English language;

(2) The translation of this Constitution and of every amendment thereof published under Clause (1) shall be construed to have the same

meaning as the original thereof and if any difficulty arises in so construing any part of such translation, the President shall cause the same to be revised suitably;

(3) The translation of this Constitution and of every amendment thereof published under this Article shall be deemed to be, for all purposes, the authoritative text thereof in the Hindi language."

In the statement of objects and reasons for the Bill—the Constitution (56th amendment) Bill—the Home Minister, Mr Bala Singh, recalled that the Constitution of India was adopted by the constituent assembly in English. A Hindi translation of the Constitution, signed by members of the constituent assembly, was also published in 1950 under the authority of the president of the constituent assembly in accordance with a resolution adopted by that assembly.

There had been a general demand for the publication of an authoritative text of the Constitution in Hindi incorporating therein all the subsequent amendments. It was also imperative to have an authoritative text of the Constitution for facilitating its use in the legal process.

/13104

CSO: 4600/1514

MISRA COMMISSION REPORTS ON NOVEMBER 1984 RIOTS

Highlights of Report

Calcutta THE TELEGRAPH in English 24 Feb 87 p 4

[Text]

New Delhi, Feb. 23: The 1984 November riots were a "spontaneous" reaction to a national calamity without any pre-organised or premeditated conspiracy behind it, the Ranganath Misra commission has said. The loss of life amounting to between 2,307 in the Delhi riots alone was caused by inept handling of the situation by the police.

The commission, whose two-volume report was submitted to both houses of Parliament today, said the police failed to make a proper assessment of the situation. And what began as an innocent reaction to Mrs Gandhi's assassination developed into one of the darkest tragedies in independent India's history.

The commission which was constituted on April 26, 1985, to inquire into allegations of incidents of organised violence in Delhi, Kanpur, Bokaro and Chas also recommended setting up a committee comprising a high court judge and an experienced civilian to inquire into the role of the police in the riots and to suggest remedial measures.

The report absolved the Congress(I) of playing a role in escalating or organising the violence. It said the involvement of some lower-level party functionaries or sympathisers did not indicate the party's involvement.

The commission has asked the Delhi administration to reascertain the total number of deaths in the riots as the figure of 2,307 was not convincing. The affida-

vits in the commission's possession from families of victims and their sympathisers suggested that the total figure in Delhi alone was around 3,870. The commission has said the actual number should be between the two figures and should be ascertained at the earliest.

The commission has gone into the allegations against the Union minister, Mr H.K.L. Bhagat, of fanning the tension, and exonerated him in the "absence of convincing material."

Mr Bhagat's case was separately dealt with as there were 16 instances cited by the citizens' justice committee levelling charges against him. The commission did not publish the names of other Congress(I) leaders and workers as they were almost 2,000 in number. Other leaders like the Union minister, Mr Jagdish Tytler, Mr Dharam Dass Sastri and Mr Sajjan Kumar, are not mentioned despite similar allegations against them.

The report noted that 19 instances were catalogued where Congress(I) supporters were named as organisers and conceded that there was no reason to disbelieve the allegations.

The report said the Congress(I) working committee had denounced violence and appealed to countrymen to work for communal harmony on November 1. Since two Sikhs killing Mrs Gandhi cannot be evidence against the entire community in the crime, the involvement of some

Congress(I) workers and sympathisers in the riots should be viewed in a similar light, the commission observed.

It said the mob that operated (for rioting and looting) was mainly from the lower strata of society living in "jhuggis" in the outlying villages. In some cases the middle class also joined them.

The report has dismissed allegations against the Prime Minister, Mr Rajiv Gandhi, that he too was involved in the "the unseemly situation."

It puts on record words of praise for Mr Gandhi for his on-the-spot tour of the affected areas on November 2 with a view to boosting the morale of the riot victims.

The commission praised Mr Gandhi's capacity to keenly assess the situation in two days and order that the Lt. governor, Mr Gavai, who was a heart patient, be replaced. The report said this should have been done much earlier, given the situation following Operation Bluestar.

The report also censured the Delhi police commissioner, Mr Tandon, for failing to read the situation that warranted Army assistance.

The only other officer censured by the commission was Mr Brijendra, district magistrate of Kanpur who, according to affidavits, refused to provide protection to the Sikhs. The commission recommended an inquiry into his conduct by a retired high court judge.

The report acquitted Doordarshan for permitting the telecast of a provocative speech like "khooon ka badla khooon." Enquiries had found that it was an innocuous recording during the live telecast of Mr Gandhi's last rites. The commission found it baseless that AIR or Doordarshan had identified the community of the two assassins of Mrs

Indira Gandhi.

The report without pinpointing "the guilty" notes with concern grievances that when the injured were taken to hospitals doctors were not available. At other places proper treatment was not provided.

The commission also censured the citizens' justice committee headed by Justice Sikri for withdrawing from the proceedings.

CPI Reaction

Bombay THE TIMES OF INDIA in English 26 Feb 87 p 9

[Text]

NEW DELHI, February 24 (UNI)

THE Ranganath Misra commission report on the November 1984 riots was criticised by various political parties and leaders today.

The Communist Party of India (CPI) described as an "eyewash" the setting up of committees to probe charges of police and administrative lapses and said the commission ought to have blamed Congress governments at the Centre and two states for the riots.

The All-India Sikh Conference charged that the report had not explained convincingly how the Delhi riots could have occurred "without any organised move."

The CPI general secretary, Mr. C. Rajeswara Rao, said in a statement issued here that the commission had "put the entire blame on anti-social elements and the ineffectiveness of the administration and the police."

"We must say that the Congress government at the Centre and in two states (Uttar Pradesh and Madhya Pradesh) cannot escape their political responsibility for the crimes against the

Sikh community.

"We have to ask: Delhi is the capital of our country and the seat of our central government. How could it be that for three days this crime continued to be committed without intervention of the Centre.

"On this score, we condemn the central government's callous attitude in the matter."

Mr. Rao also criticised the commission for giving a "clean chit" to some local Congress leaders accused of involvement.

"We cannot agree with this. Why did the Delhi Congress leaders and the central minister, Mr. H. K. L. Bhagat, not intervene to bring the situation under control?"

The CPI leader said the appointment of two committees was an eyewash and a dilatory tactic.

The All-India Sikh Conference general secretary, Mr. Gurcharan Singh Babbar, said the commission report "has proved that such commissions are nothing but a wing of the state to protect the interests of the ruling party."

The commission, he said, had not

"convincingly sifted the allegation that how the police could remain ineffective without raising a lathi, lobbing a tear-gas shell or firing a gun in the air without guaranteed protection."

Saying the pattern of violence was the "same everywhere," he asked: "how could all this be without any organised move?"

TOINS adds from Amritsar: Jathedar Jiwan Singh Umrangal, senior vice-president of the Shiromani Akali Dal (Longowal), and Giani Mohinder Singh, former SGPC secretary and present general secretary of the Sri Guru Singh Sabha, bitterly criticised the Misra report today.

In a joint statement, they described the report as a bogus document prepared under pressure from the Congress government. It did not satisfy the Sikhs living in Punjab or in other states as it was not based on justice but on falsehood, they alleged.

The Congress government had tried to save its own men for political considerations, according to them. The responsibility had been thrust on the administration to save the real culprits.

Sikh Forum's Statement

Calcutta THE STATESMAN in English 26 Feb 87 p 1

[Text]

NEW DELHI, Feb. 25. — The report of the Misra Commission (on the November 1984 riots in Delhi) "is utterly disappointing, to say the least", pronounced the Sikh Forum which is presided over by Lt.-Gen. Jagjit Singh Aurora (retd).

In a statement today, the Forum said: "It only confirms our worst fears that the report will 'white-wash' the ruling party and some of its leaders named as guilty in the human rights bodies' findings. It is distressing to say that it will have an adverse effect on all right-thinking people, more especially the Sikhs."

"The main aim of the exercise appears to have been to contradict the reports of the People's Union of Civil Rights, People's Union of Democratic Rights and the Citizens' Commission. The members of the last-named body were retired civil servants and lawyers and had been part of the establishment. Justice Misra has absolved senior Congress functionaries but only implicated some

junior Congress workers and police officers."

The statement said that with this, the Centre has lost its credibility with all those who cherish human dignity.

"It would appear that the report was leaked out to the police a week before it was scheduled to be placed before Parliament. Consequently 11 people named in the report have been charged to make it a part of the action taken by the Government. The police has started calling the riot victims to the police stations with the obvious intention of harassing them. This must be stopped immediately", the statement said.

Mr Surjit Singh Barnala has sought from the Union Home Minister, Mr Buta Singh, a copy of the Misra Commission report. The Punjab Chief Minister, in a letter to Mr Buta Singh, was reported to have said that his party was very much concerned with the recommendations of the Commission, says PTI in a report from Chandigarh.

UNI reports from Chandigarh: An all-party meeting presided over

by the Punjab Chief Minister, Mr Surjit Singh Barnala, today decided to organize an indoor convention instead of a public meeting on March 1 in the State capital.

Announcing the deliberations of the meeting, the ruling Akali Dal general secretary, Mr Manjit Singh Khaira, told reporters that the decision was taken in view of shortage of time to organize such a huge public meeting.

The meeting was held in the wake of an all-party decision taken at the national level to hold meetings in Punjab.

According to another report, Mr Barnala is likely to reshuffle his Council of Ministers before the Budget session scheduled to be held early next month.

Informed sources said Mr Barnala was likely to induct some new Ministers to fill the vacancies caused by the resignations of four Ministers in the last few months.

The sources indicated that the Chief Minister was likely to allocate some important portfolios to those Ministers who stood by him in the hour of crisis in the party.

The Chief Minister, the sources said, was likely to use the opportunity to reallocate portfolios of some Ministers.

/9274

CSO: 4600/1504

PAPER SUMMARIZES 1987-88 RAILWAY BUDGET

Bombay THE TIMES OF INDIA in English 26 Feb 87 pp 1, 9

[Text] Mr. Scindia, who was presenting the budget for the first time, announced some fare concessions for the "needy and deserving sections," including the handicapped, war widows and farmers.

The budget, which estimates the gross receipts at Rs. 8,179 crores, leaves a surplus of Rs. 69 crores after fully discharging the dividend obligation of Rs. 652 crores.

Mr. Scindia also announced introduction of eight more superfast and express trains from April 1, increase in the frequency and speed of some of the existing passenger trains and proposed high allocation of funds for passenger amenities.

The minister was greeted with cheers by members of both the opposition and the ruling party when he announced no increase in fares, "keeping in mind the interests of the lower and middle-income groups which constitute the bulk of the railway passengers".

Rail services to Kerala are proposed to be strengthened. Of the eight trains to be introduced, four (all superfast) have Cochin as the terminal.

These are a bi-weekly train between Bombay V.T. and Cochin, a weekly train between Ahmedabad and Cochin, a weekly train between Hyderabad and Cochin and another weekly train between Guwahati and Cochin.

Also in Kerala, the temple town of Guruvayur is proposed to be linked with a 24-kilometre new line from Trichur. Significantly, Kerala goes for the assembly polls next month.

The other new trains proposed to be introduced are a weekly express between Patna and Madras via Itarsi and Jabalpur, a weekly superfast train between Hyderabad and Ahmedabad, a tri-weekly superfast train between Lucknow and Bombay and a metre-gauge train between Samdari and Raniwara.

The fare concessions announced by Mr. Scindia cover the young, the handicapped and the farmers. The 25 per cent concession in second-class fare to groups of youth granted last year, has been extended to 1987-88.

The 50 per cent concession in the first and the second class for the deaf and dumb would be extended to season ticket fares also, as in the case of the blind, the orthopaedically handicapped and the mentally retarded.

For the drought and flood-affected, the concession in freight on the movement of fodder is proposed to be raised from eight per cent to 25 percent.

Fifty new halt stations in rural areas will be opened in the coming year. A 33 per cent concession would be given on the fares of special trains for farmers' tours for a total trip of at least 1,000 kilometres, sponsored by the central or state governments.

Mr. Scindia said that as a "token of our gratitude," it was proposed to grant a 75 per cent concession in second-class fare for war widows.

The railway minister took the credit for the fact that freight loading in the first nine months of the current financial year went up by 13 million tonnes compared to the corresponding period last year, with only a marginal increase in the wagon fleet.

Though the working expenses would exceed the 1986-87 budget estimate by Rs. 692 crores, mainly due to increases in staff costs, the year would end with a surplus of Rs. 11 crores after full payment of dividend of Rs. 570 crores.

Mr. Scindia claimed a decline in the number of train accidents by 12.7 per cent in April-December 1986. Safety was being given the highest priority, with more and more level-crossing gates being provided with inter-locking arrangements, and important stations with track circuiting.

During 1987-88, an auxiliary warning system installation is likely to be completed on the Bombay suburban section of the Western Railway, and work is in progress on the Central Railway. A similar system is proposed to be installed on the Rajdhani routes between Bombay and Delhi, and Delhi and Mughalsarai.

High priority is also being given to rehabilitation and modernisation in essential areas such as track renewals, electrification, rolling stock, workshops, signalling and telecommunication. Forty-seven per cent of the plan outlay in the first two years of the seventh plan has been spent on these important areas.

In the area of signalling, a solid-state inter-locking technology and a train describer system would be introduced in Delhi area as a pilot project.

Another major project is the computerised freight operations information system, which is a mix of a central computer, integrated with several zonal computers through dedicated high-speed digital communications links.

Computer Coming

Mr. Scindia said the railways were taking a closer look at the areas where passenger amenities could be improved. By March 31, the entire Delhi area would be covered by computerised passenger reservation system, and reservation counters would be opened in Delhi, New Delhi and Hazrat nizamuddin along with four more outlying terminals in the city.

Similar systems have been planned in Bombay and Calcutta where the first phase will be completed by December 1987. In 1987-88 work will commence on five more projects at Madras, Bangalore, Secunderabad, Bhopal and Lucknow.

The railways have selected 67 stations to be developed as model stations which will be trend-setters in terms of aesthetic design and passenger amenities.

The budget proposes an annual plan outlay of Rs. 2,980 crores for 1987-88, as against the revised estimate of Rs. 2.675 crores for the current financial year. Out of the outlay, a sum of Rs. 300 crores is proposed to be raised through market borrowings as against Rs. 250 crores in 1986-887.

Owing to shortage of funds, 35 ongoing new line projects involving a total route length of 2,940 kilometres would take "some years to complete," as the total funds required would be of the order of Rs. 1,700 crores.

New Lines

Among the new line projects likely to be opened shortly are Talgaria-Turkadih (33 kms) and Motumari-Jaggayyapet town (26 kms). New line projects from Miryalguda to Nadikude (39 kms), the Bhatinda bypass (8 kms) and from Jaggayyapet town to Jappayyapet (8 kms) have been targetted for completion in the next financial year.

Mr. Scindia admitted that progress in 11 ongoing gauge conversion projects, covering a length of 2,013 kms, was slow due to financial constraints. However, in 1987-88, two conversion projects, Suratgarh-Bikaner (178 kms) and Moradabad-Kashipur (51 kms) were expected to be commissioned.

The outlay for road over-bridges and under-bridges has been raised to Rs.17 crores in 1987-88 from Rs. 12 crores. A Rs. 73-crores road bridge across the Brahmaputra at Tezpur--a prestigious project entrusted to the railways by the North-Eeastern Council--is expected to be completed next month, well before schedule.

A noteworthy feature of Mr. Scindia's budget speech is his frank admission that it is beyond the means of the railways to meet the investment needs of the metropolitan rail projects.

Most suburban services are causing heavy losses to the railways, which in 1986-87 would be about Rs. 97 crores. It was, therefore, important "that the state governments and city administrations", come forward with a cost-sharing arrangement, both for the initial capital and for the recurring expenditure."

DEFENSE MINISTER RECEIVES NEW SUBMARINE FOR NAVY

Calcutta THE STATESMAN in English 17 Feb 87 p 9

[Text]

BOMBAY, Feb. 16.—The Union Minister for Defence, Mr V. P. Singh, received the Indian Navy's newest submarine at Bombay today. Named the INS Shishumar (which means baby shark), it is the first SSK (submarine-to-submarine killer) to join the Indian Navy.

The INS Shishumar was contracted by India in December 1981, and was commissioned in Kiel, West Germany, in September 1986. The cost of the submarine was Rs 8 crores. Another similar submarine, INS Shankush, built by the same German yard, will reach India next month. The Shishumar is commanded by Commander P. M. Bhate, who has previously commanded two submarines.

Mr V. P. Singh described the INS Shishumar as "a landmark in the sophistication of our Naval

strength, an inauguration of a new era". Referring to the indigenous construction of this type of submarine, already begun at the Mazagon Docks and expected to be completed by 1989-90, Mr Singh said that self-reliance in defence production was basic to the strategy of efficient and vigilant defence. He said that the core question which needed to now be addressed was how to cope with the technological gap between Indian defence know-how and that of more advanced countries, while developing indigenous production.

The Chief of Naval Staff, Admiral R. H. Tathiani, said that the SSK had come "not a day too soon". He said that the captain and crew of the INS Shishumar would be torch-bearers, because for the first time the Indian Navy would be learning how to hunt subma-

rines with other submarines, under water. It would be up to the crew of this particular submarine to evolve effective defence and maintenance strategy, he said.

The FOC-in-C, Western Naval Command, Vice-Admiral S. Jain, said that the Shishumar type submarine had advantages of size and silence, besides being equipped for every form of electronic warfare.

Yesterday, Mr V. P. Singh attended his first demonstration of Naval exercises on board the INS Vikrant, India's only aircraft carrier, which led the fleet in an impressive salute. The exercises began at dawn 60 km from Bombay, so that Mr Singh could witness precision night landings by Navy pilots, as well as the usual exercises with surface-to-surface missiles and missile destroyers.

/9274

CSO: 4600/1489

BRIEFS

CPI SUPPORTS GNLF--Jammu, 19 Feb (PTI)--The Communist Party of India (CPI), today endorsed the demand for constitution of a separate state in Darjeeling, the Nepali speaking belt of the West Bengal, within Indian union. Secretary National Council, Communist Party of India M Farooqi told newsmen that the Nepalis should be given regional autonomy and "if they are demanding a separate state, sithin Indian union, we should not oppose it." He disclosed that his party (CPI) differs with CPI-M on this point and said that "if Mizoram, which is half the population of Darjeeling belt can get a separate state, why not the Darjeeling hills be given a status of a state within the Indian union. [Text] [New Delhi PATRIOT in English 20 Feb 87 p 5] /9274

SOVIET-AIDED BAUXITE MINE--Moscow, 17 Feb (PTI)--A bauxite mine of 2.3 million tonnes of ore capacity is to be constructed in Andhra Pradesh with Soviet assistance. An agreement to this effect was signed here between the National Aluminium Corporation (NALCO) and the Institute of Aluminium, Magnesium and Electrode Industry of Leningrad, reports APN. The agreement provides for the use of Soviet-made equipment, particularly high-capacity excavating machines and 40-km long conveyers. They will form a vital part of the transport system consisting of a railway and port facilities in Vishakhapatnam. According to the agreement the bulk of the ore mined at the new mine will be exported to the Soviet Union. It is also planned to set up an alumina plant at the site with Soviet cooperation and to raise the capacity of the mine to four million tonnes. [Text] [New Delhi PATRIOT in English 18 Feb 87 p 9] /9274

NORTHEAST ADMINISTRATION--The Centre has dedided to have separate Governors and High Courts for each one of the seven States in the north-eastern region. At present only three Governors are in charge of all these seven States--Mr. Bhishma Narain Singh looking after Assam, Meghalaya and Arunachal Pradesh, Gen. K. V. Krishna Rac at the helm of Manipur, Nagaland and Tripura and Mr. Hiteswar Saikia in Mizoram. The Government is now looking for four more suitable persons to be appointed Governors along with the existing three for these States. After these appointments are made, there will be altogether 24 Governors for all the States of the Indian Union. There is at present only one High Court located in Guwahati for the entire north-eastern region, but there will be a separate High Court now for each of these seven States. After the grant of full statehood to Arunachal Pradesh and Mizoram, there are only seven Union Territories now left with varying degrees of local self-Government. These are Delhi, the Andaman and Nicobar Islands, Dadra and Nagar Haveli, Goa, Daman and Diu, Pondicherry and Chandigarh, which will cease to be a Union Territory when it is transferred to Punjab in due course. [Text] [Madras THE HINDU in English 26 Feb 87 p 9] /13104

INDUSTRIAL PRODUCTION INDEX--With the revision of the industrial production index, based on a new pattern of weights for different industries, the growth rate during the first seven months of 1986-87 (April to October, 1986) has been placed at 7.4 per cent. The new index, which takes 1980-1981 as the base year, has also worked out a much higher growth rate--8.7 per cent for 1985-86 as against only 5.3 percent worked out on the basis of the 1970 base series. The index, compiled by the Central Statistical Organisation (CSO), is claimed to be more representative of the industrial structure, as it has adopted a revised pattern of weights. The old index had left out petrochemicals and electronics goods and some other items. The new index also includes production figures relating to 18 items produced by the small-scale sectors as well. In all, the revised index includes production of 352 items, the same as that in the old index, but 96 items have been added, while 95 have been dropped. A few items or subdivisions of some items included in the index have been merged in the new index. The annual economic survey to be presented to Parliament by the Prime Minister during the coming budget session will show a higher growth rate for industrial production for 1986-87, and this gives a brighter picture of the economy. [Text] [Bombay THE TIMES OF INDIA in English 22 Feb 87 p 8] /13104

TRADE GAP NARROWS--The trade gap in the first nine months of 1986-87 narrowed down to Rs. 5239 crores from Rs 6211 crores in the corresponding period of last year. The minister for commerce, Mr Shiv Shankar, told the forum of financial writers that exports during the period had shown a rise of 16.9 per cent to Rs 8949.27 crores while imports showed a much smaller rise of 2.3 per cent to Rs. 14, 188,98 crores according to provisional figures received by his ministry. Mr Shiv Shankar expressed his confidence that going by the trend of exports, the target of Rs. 12,203 crores for the current year would be reached. [Text] [Calcutta THE TELEGRAPH in English 19 Feb 87 p 8] /13104

NEW STATEHOOD DEMAND--A four-member delegation of the Zaliangrong People's Convention (ZPC) from Assam, Nagaland and Manipur, led by Ms Rani Gaidinliu, met the home minister, Mr Buta Singh, here yesterday. The delegation is understood to have pressed the demand for a separate state for the Zaliangrong community. Mr Buta Singh assured the delegation that their case would be reviewed and invited them for detailed talks with his ministry today. Ms Gaidinliu, the 73-year-old ZPC president, has been pressing for a state for the three-lakh people and has met three Prime Ministers since 1947. The ZPC team is likely to meet Prime Minister Rajiv Gandhi tomorrow. [Text] [Calcutta THE TELEGRAPH in English 18 Feb 87 p 5] /13104

ELECTRONICS PANEL--In a major electronics policy decision, the government on Friday appointed an 11-member standing committee with a majority of private sector representatives to advise the department of electronics on policy matters. Headed by Mr K.P.P. Nambiar, secretary, department of electronics, the committee will "discuss and critically examine new policy initiatives and serve as a "sounding board" for new ideas, provide feedback on programme implementation of the department and help in identifying the manner in which voluntary agencies can supplement official programmes." [Text] [Calcutta THE TELEGRAPH in English 21 Feb 87 p 1] /13104

NO NEW IMF LOAN--The Union Government is not considering taking a fresh loan from the International Monetary Fund (IMF), a Finance Ministry spokesman said today. The foreign exchange reserves are comfortable at over Rs. 7,000 crores, the spokesman said, commenting on a report in a section of the press that India may take a fresh loan from the IMF. [Text] [Madras THE HINDU in English 27 Feb 87 p 9] /13104

COUNTRY'S POPULATION APPROACHES 50 MILLION

LD032245 Tehran IRNA in English 1830 GMT 3 Mar 87

[Text] Tehran, March 3, IRNA--Iran's total population stands at 49,764,874 based upon the nationwide census taken in October 1986, according to the head of the statistics center, Majid Jamshidi here Tuesday.

Speaking on the latest statistics of the recently conducted public census Jamshidi said in an interview that the population lives in 24 provinces of the country, comprising 195 cities, 497 towns and 1,583 villages.

The number of hamlets exceeds 104,108 units of which 65,310 are residential while the rest are used as temporary residences. According to seasonal patterns over 35,885 of these units have a population of over twenty rural families per hamlet, added the official.

The number of people residing in cities and towns is 26,952,894, accounted Jamshidi adding that some 248,463 of the country's population is made up of tribal families, which lead a nomad life living neither in cities nor in villages.

The statistics reveal a 6.5 percent growth in the urban population which has climbed to 54.5 percent, compared to 48 percent, at the time of the last public census taken a decade ago.

Gross annual population growth (birth, mortality and migration) has been about four percent during the past ten years which is the highest population growth rate in the world, said the official. Gross population growth is 5.2 percent in the urban areas and 2.6 in the villages, he added.

Some 18 million people are living in 40 cities with populations of over 100,000 which accounts for 66.5 percent of the total number of population, Jamshidi said, adding that the most populated province of the country is Tehran Province where 8,719,480 Iranians are living.

The most populated city is the capital, Tehran, with over 6,022,029 people. The holy city of Mashhad in Khorassan Province with 1.5 m and Esfahan with a one million population are next in rank, said the official.

Jamshidi pointed out that Iran's population will exceed 60 million after 5 years if the population growth continues at the present rate, which could also see the capital city of Tehran reaching the 11 million mark.

Jamshidi said that of the 38,416,394 school age and older population some 23,805,554 that is roughly 62 percent of them are literate.

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CSO: 4600/166

SLOW PROGRESS DURING FIVE-YEAR PLAN CRITICIZED

Lahore NAWA-I-WAQT in Urdu 9 Feb 87 p 2

[Editorial: "Failure of the Sixth Five-Year Plan"]

[Text] In the mid-term evaluation of the 6th 5-Year Plan held under the chairmanship of Prime Minister Mohammad Khan Junejo, it was concluded that the progress under this program has been very slow. There has been only 3.9 percent increase, instead of the targeted 4.9 percent, in agricultural production. Rice production has decreased by 4.9 percent, while wheat production increased only by 2.8 percent instead of the expected 5.6 percent. Similarly, export revenue has dropped by 6.2 percent and 37 percent of the proposed capital has been expended in the area of energy production.

Pakistan is a developing country and just like the other Third World countries is striving for economic development. It is sad to say that the countries that became free same time as Pakistan did, or even later, have made more progress in this area. True, that Pakistan has been going through difficult time for the last 40 years and could not achieve its goal because of political instability. There are, however, other causes for this delay. The National Economic Council, while evaluating the 6th 5-Year Plan, has admitted that our progress has been extremely slow. It did not think it necessary to explain the reasons for this slowness. It is very important that a high level committee look into the causes of this inertia and recommend changes.

One reason for the slow progress is our failure in industrialization of our country. True, Pakistan is an agricultural country, however, it does not mean that we should not become industrialized. Many agricultural countries have left us behind in the race for development by excelling in agricultural industry. We cannot make economic progress if we continue to export raw cotton, raw leather, and raw wool. It is essential that we export finished goods and push for modern industrialization of our agriculture. We should totally ban import of biscuits and bread. It is very embarrassing to know that an agricultural country like Pakistan is importing biscuits, sweets, cakes, pastries and dry milk.

President Ziaul Haq announced in a meeting to award export trophies that the government was considering making export income exempt from all taxes. One of the reason for our slow economic progress is our foreign trade deficit. We are increasingly importing more and exporting less. It is very important that we take steps to increase our exports and ban import of unnecessary items. We must protect our industry and increase quality control of our products. Our dishonesty in trade is one of the reason why we have failed increasing our export business. At the same time we must stop smuggling to help our country become successfully industrialized.

GOVERNMENT'S ANTISUBVERSION ACTIVITIES CALLED INADEQUATE

Karachi JASARAT in Urdu 1 Feb 87 p 3

[Editorial: "Subversion, without Permission"]

[Text] Mr Iqbal Ahmad Khan, secretary general of the ruling Mulsim League Party, said that "the government has decided not to permit subversive elements to take advantage of government's leniency." This is a great development! Now, the government has finally decided not to give a free hand to rioters and traitors, who appear to be the only people with some freedom in this country. However, statements to this effect have been made by our high officials often. Activities against the country and our people are still being carried out. It appears that these elements do not need any special permission to involve themselves in subversive activities. Statements issued by high officials indicate that our government had issued special permission to these people to raise havoc and this permission is being withdrawn now! We are sure that the government did not issue this permission typed on government stationary, but the fact remains that subversive elements had approval of our government. Otherwise, they would not have been able to involve in illegal activities all over the country. How is it possible that law abiding, patriotic, and peaceful citizens are so oppressed, while dacoits, rioters, robbers and other criminals run around freely. Who will stop them and establish law and order? Why did not the government decide to curb these criminal when it came to power or even 6 months earlier? How will it account for all the illegal activities that took place during the recent period? Mr Iqbal Ahmad add that some persons have been taking unnecessary advantage of our government's leniency, and are demoralizing the people. He said that this kind of tirade will not be tolerated anymore. He declared that "the Muslim League will win the 1990 elections solely on the basis of its public service record." We would like to comment that it is not possible to hide inefficiency and laziness behind the facade of leniency. The public is not demoralized by some idle talk; it is the government's inefficiency that causes it. Activities of the present government are known to everyone. People in Karachi are still want to know whose negligency caused the fiasco of "Operation Cleanup." People were murdered for an hour in one area and no efforts were made to stop this. You do not have to work extra hard to make people feel disappointed in their government when incidents like this happen!

The government has been announcing its plans to curb criminals and terrorists again and again. We have npticed, however, that our government is trying to be

lenient with subversive elements. The present government, perhaps, considers this practice a part of democracy -- everyone should have freedom to do whatever they want to do, and let the common people fend for themselves. At this point we would like to refer to a conversation which took place between reporters and Mohammad Iqbal Khan, Sarhad's minister of communication and senior vice president of Muslim League, on 18 January. Mr Khan said that "we should discriminate between patriotic and traitorous politicians. The government is patronizing some known traitors and giving them freedom to do whatever they wish. Some traitors are repeatedly given permission to visit Kabul and Moscow to conspire against our country's security and unity." Mr Iqbal Ahmad, your statement is government's admission of guilt! Our government has given full freedom to rioters and other subversive elements. There is still time, as Mr Ahmad said, for our government to take this unwritten permission back. Otherwise, talking of winning the 1990 elections is out of question, you should talk about your party's survival. Nowhere in the world has any government given freedom to people to work against the country's ideology. This wonderful show only happens in our beloved country. Anyone can declare his decision to destroy the country while our government continues to talk about its gentleness!

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CSO: 4656/52

PLAN TO POST ANTIDACOIT POLICE COMMANDOS IN BUSES CRITICIZED

Lahore NAWA-I-WAQT in Urdu 9 Feb 87 p 2

[Article: "Police Commandos in Buses!"]

[Text] It has been decided to station police commandos in bus stops and on buses to curb dacoits in Punjab. These commandos will search all passengers and also keep an eye on criminals while in transit. Police forces will be stationed at every 10 miles of highways. We have felt the need to curb robberies and other crimes in our country for a long time and the police have been criticized in this context. The recent directive of Punjab's chief minister to activate the police in order to curb dacoits is part of these efforts. This directive, however, does not include measures to alleviate complaints against the police department. We have come to believe that criminals cannot flourish or succeed without police cooperation. Unfortunately, our police has helped make this belief stronger by openly helping criminals. Harassed people have begin to view every government action involving police with suspicion. Several aspects of this directive need to be looked into. Will the government guarantee that these police commandos will not treat the passengers, driver, and conductor the same way they treat people in streets and in police stations? There are thousands of passenger buses plying in Punjab. Even if we put three or four commandos in each bus, where will there be money to hire all these commandos? Further, how effective these commandos will be in curbing robbers? We need answers to these questions. As long as our police structure and their attitude is not changed, all these actions will only result in waste of government money. Until and unless present laws are not implemented with honesty and diligence there will be no positive results from new plans and actions. The main problem is not arresting criminals, but sentencing them to make an example for other criminals. We hear about criminals being apprehended, but we do not see any arrangement for punishing them appropriately. All this has encouraged criminals and made citizens feel insecure.

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MQM LEADER DEFENDS SEPARATE MUHAJIR NATIONALITY

Karachi JANG (Supplement) in Urdu 1 Feb 87 p IV

[Report by Mukhtar Aqil: "What Does Muhajir Qaumi Movement Want? Altaf Hussain, Leader of MQM, Interviewed By JANG Panel; date and place not given"]

[Text] Everyone, including political and government circles are amazed at the quick popularity of MQM's new leader Altaf Hussain. Prime Minister Junejo described Altaf Hussain to a parliamentary group in Islamabad in the following words: "A Karachite has become a millionaire overnight. He travels from city to city with his armed entourage." Some people believe that Altaf Hussain has become popular too soon and too fast. What is so special about this young man? He arrived here from the United States of America 2 years ago and has risen as a major power in the political arena. Sindhi citizens and youth wait for signal from him to do anything. In order to get answers to some political and social questions connected with this person, a panel interview was organized by JANG forum. The panel consisted of Yunus Riaz, Mehmood Sham, Nazir Lagari, and Mukhtar Aqil. Mirza Saleem Beg acted as the moderator. Some of the questions were answered by Azeem Ahmad Tariq, chairman of Muhajir Quomi Movement (MQM), Dr Umran Farooq, secretary general of MQM, and Tariq Saddiqi, deputy secretary general of MQM. S.M. Tariq and Amin Alhaq, prominent leaders of the MQM, were also present there.

Moderator: We are thankful to Mr Altaf Hussain and other MQM leaders for participating in JANG forum despite their busy schedules. Both government and private circles are amazed at the sudden success of the MQM. Everyone is wondering how this movement could become so successful in so little time. Various kind of accusations also have been levied by various groups in this context. This interview has been organized under the auspices of JANG forum to give you the opportunity to answer questions about the MQM raised by people. The first question is about MQM's viewpoint about the present political situation in the country. Please dwell especially upon the incidents that took place in Karachi and Hyderabad during the last 3 months.

Answer: Your very first question is so general and loaded that I do not know where to begin the tales of injustices. Should I start from 1947 or from 1977...

[Question] I believe you should start from the day when your organization was established.

[Answer] Since you have limited me to the organization itself, I will answer this question within the framework of MQM and try to give a satisfactory answer. However, please excuse me if I include some historic facts for reference purposes. On 11 June 1978, we established All Pakistan Muhajir Students Organization (APMSO) in Karachi. As the name indicates, there was no territorial interests involved in this group. We had established this organization on a national level. This organization was established by and for the young people whose parents had come to Pakistan in 1947 after crossing "rivers of fire and blood." These Muhajirs [refugees] had not only made sacrifices for establishing Pakistan but also had made the safety and security of Pakistan their primary duty. They never considered themselves a minority and were always working as a group for the nation. During the 1977 movement they were in the forefront to demand political restructure of this country from Karachi to the Khyber. Such demonstration of unity was unparalleled. Muhajir is the only group which has always demonstrated unity on national issues and not on Muhajir issues. The 1977 movement was started by Muhajirs and they continued to struggle and make sacrifices for it. Later, this movement also spread in other parts of the country. Muhajirs have never considered themselves as a minority group. However, at present when members of even national political parties refer to their particular "nationality," Muhajirs are forced to think like them. When I applied for admission to Jama Karachi to become a pharmacist, I was denied admission to a university in my own home town. This resulted in 9 month long demonstrations and I got admission only after going on hunger strike. During this period banners of Pakhtoon, Punjabi, Gilgati, Baluch and other student organizations began to appear. At that time, I thought that Muhajirs should also have a platform to discuss problems specific to Muhajirs. Thus All Pakistan Muhajir Students Organization was established. Why did Pakhtoon, Punjabi, and other student groups need to publicize territorialism? Our national political structure and thought focuses on territorialism. The only way to get attention in this atmosphere is to give the impression of strong territorial organization. Since independence our country has been ruled by one or other martial law regime most of the time. Our military though known as Pakistan's army usually is monopolized by one or other province. Sind and Baluchistan had little or no representation in the army. During each martial law regime Sindhis felt that they had no part in the government. Smaller provinces began to develop a feeling of deprivation and neglect. This suppression of rights gave birth of territorial nationalism. Whenever we demanded rights we were not heard. Instead, force was used to crush us. It is a proven fact that political and military rules are very different. Total obedience is required in a military rule while there is room for opposition in a political rule. As a result whoever tried to oppose was called a traitor and whoever obeyed the government became an instant patriot. There can be nothing but strife if parents are not fair to children born from the same womb. The whole country knows this system. Mujibul Rehman came out with a 6-point proposal when our rights were suppressed. Our military did one fair deed in 1970 in the form of fair elections. After the elections, however, people in East Pakistan got bullet shots instead of rights when they demanded them. In East Pakistan, 99.9 percent of the people had voted for establishing Pakistan. They wanted this country sincerely. Their majority party, Awami League was not

allowed to participate in the government. Our mistake resulted in East Pakistan becoming Bangladesh. Now people in Sind, Baluchistan, and Sarhad are feeling deprived. military action was taken for 3 years when Baluchistan demanded its rights. Work against dacoits in Sind is a very good idea, however, suppressing politicians in this context is not very wise. Violent coercion will result only increasing the feeling of deprivation. It is natural to feel negative toward the government when whole village is destroyed in the name of looking for dacoits. Pakistan belongs to every citizen just like it belongs to President Ziaul Haq and Prime Minister Jinnah. We have to stop this system of distributing certificates labeling people patriots or traitors. We have to start listening to those who want their rights and give them the rights due them. I have surveyed many police stations and none of these appears to be Sind. I was kept in CIA [Central Intelligence Agency] center for 14 days and I did not see even one Sindhi or Muhajir policeman there. You cannot but feel deprived in such a situation. The slogans about Islam and Pakistani ideology cannot carry us very far. Are we not Muslims? Are we not citizens of this country? We will continue to be to feel deprived as long as we are punished with lathis [staffs] and bullets every time we demand our rights. This feeling [of deprivation] was first born on Baluchistan and Sarhad and is most prevalent in Sind now. Whenever injustice is carried on, there will be turmoil. If our leaders want to keep Pakistan as it is, then they have to grant rights to people and listen to their plight. God help Pakistan if suppression is used on people asking for their rights. As for Muhajir nationalism, Muhajirs had to use the nationalism issue when they found that this is the only alternative to keep their identity and a way to ask for their rights. They have been reminded again and again that they are Muhajirs. Even after 40 years they have been called by this very name and sometime even more derogatory titles. Their address was asked when they they applied for employment. They were told that they cannot declare Sakkar, Karachi or Hyderabad as their place of residence. They were told to declare either Punjab and rural Sind as their residence. At this point youth from Sind's urban areas felt the need of starting a Muhajir nationality movement in order to get back the rights taken away from them. We did not start this discord; it was started by other people. Persons responsible for establishing Pakistan are being treated as second, no, third class citizens. They are denied employment because of a "wrong address." They are, after all, human. All this was bound to cause a feeling of inferiority. When we say that we will make as many sacrifices as the rights we get, we are labeled traitors. Should someone analyze the whole situation, he would find that Muhajirs have made most sacrifices for establishing Pakistan and democracy. Now, we have begun to wonder what reward did we get for all these sacrifices?

[Question] What is your opinion about the quota system?

[Answer] We do not oppose the quota system under the present circumstances. We do, however, demand that this system be based on the number of people living in a place. The quota system needs overhaul with due recognition given to the population in an area.

[Question] Are not the rural areas of Punjab more underdeveloped when compared to Sind's rural areas?

[Answer] You are right, but this is a universal fact that rural and urban areas have different social structures. This is true even in London, Tokyo and New York. These areas are different from their rural counterparts.

[Question] You said that Muhajir nationalism emerged as the result of what happened in the country. Punjabis, Sindhis, Pakhtoons, and Baluchis have territorial identities. They were here even before Pakistan was established and have historical background.

[Answer] Pakistan was not established for Punjabis, Sindhis, Pakhtoons, and Baluchis; it was established on Hindu-Muslim issue. The British had won India not from Hindus, but from Muslims. They, however, preferred Hindus over Muslims in order to strengthen their rule. Muslims were in India for a long time, however, the issue of their nationality emerged only when their rights were suppressed. Quaid-e Azam was a member of [Indian National] Congress and believed in a united Indian nationalism. He joined the Muslim League when he noticed that we were oppressed and were not given equal opportunities in political, economic, and social areas. He played a very important role in giving an identity to Muslim nationalism. In every geographic region, there live people with various religions, cultures, and languages. Whenever a minority group feels that its rights are being denied, it emerges as a separate group. Quaid-e Azam quit the Congress party and joined the Muslim League because he felt that Muslims were oppressed. Pakistan came into existence because of unfair treatment of a minority group. Iqbal had always preached united India:

Our India is best in the world
We are its pigeons and it is our garden.

However, when he saw the unfair treatment Muslims were receiving, he supported Muslim nationalism. That is why he is known as the "Philosopher of Pakistan."

[Question] A geographic territory is essential for nationalism. Muhajirs have no specific territory. How can a slogan about Muhajir nationalism be appropriate?

[Answer] When the Muslim League raised the slogan of Muslim Nationalism, which territory did they represent? The slogan of Muslim nationality was loudest in areas where there were few Muslims and Pakistan was not established there. If we accept your logic then we must say that the slogan of Muslim nationality should never have been raised in united India. If we look back, we will find that the present nationalism was born 70 or 80 years ago. Kings took care of nationalist issues in the past. This was followed by the landlord period. Nationalistic issues were settled on a personal level during that period also. The modern nationalism was born during the industrialization period after the French Revolution. This concept has resulted from capitalist economy. I ask: does a group need to get an allotment order to own a territory? Other nationalities in Pakistan should also show their land allotment certificates to us! The truth is that no nationality in the world got the area where they live now by birthright. Each of these nationalities took the specific portion of earth by moving in there. Our provinces are populated by various nationalities who came here in the past. That is why the oldest race that lived here, the Dravidians, have become a minority now. They present "owners"

of Sind came from some other place. Land does not belong to a nationality by just being there. A region belongs to a nationality because of demonstrated love, respect, and a concern for its welfare. People came to Pakistan from Muslim minority states after India's partition form a distinct group. They are called Muhajirs by even those who oppose the use of word Muhajir. We should not, therefore, oppose the idea of identifying Muhajirs as a nationality.

[Question] People who came from places like Gurgaon, Rohtak, and Karnal [small towns in India] in 1947 have become a part of Punjab now. Why do not those living in Sind assimilate with the Sindhis?

[Answer] Assimilation does not occur according to some set formula. Whenever a minority or individual migrates to another area, it will become a part of that area's culture. Not many Muhajirs went to Punjab, Sarhad and Baluchistan. You will see a very different point of view in Multan because a very large number of Muhajirs have settled there. Most of the Muhajirs moved into Sind. There was a 15:20 ratio between Muhajirs and the local population. Most Sindhis lived in rural areas before the partition and most Muhajirs settled in cities. They still live there and have kept their old cultural and social customs. They were the majority there. In Punjab, there were intermarriages and relationships were established. The same did not happen in Sind. Sindhis and Muhajirs were opposed to each other yesterday and they are opposed to each other today. The landlord system is still in effect in Sind. All decisions are based on this system. Whatever a landlord or a "pir" says is the law. It is different in the cities. The worst thing is that until yesterday we did not even want to sit as a group. How can we work together if we are not even willing to associate with each other? Things are getting better now. We have developed tolerance for each other. We have begun to associate with each other. The congeniality in Sind's educational institutions is an indication of this new development.

[Question] What is the reason for Muhajirs conflict with Sindhis?

[Answer] This conflict increased during the last [Bhutto] regime. This regime called the urban population "new Sindhis." Why were Sindhis divided into new and old categories? During this period Muhajirs were denied equal employment opportunities. This practice continued during the martial law regime. Muhajirs living in urban areas of Sind began to feel deprived and oppressed as the result of this practice.

[Question] If we believe that other groups are making a mistake by raising the slogan of nationality, would you admit being guilty of the same mistake?

[Answer] We have been forced by circumstances. We have no other alternative for survival. We better call ourselves Muhajirs if everyone insists on calling us by this name. If Punjabis stopped calling themselves Punjabis and Baluchis and Sindhis stop calling themselves Baluchis or Sindhis, we shall cancel the Muhajir movement. We demand a person be treated according to merit and everyone have equal rights. We must change the present economic system also. The problem is that whenever Punjabis, Sindhis, Pakhtoons, and Baluchs join a national party, they still think of their provinces. They sympathized with

Pakhtoons, but not one politician showed any sympathy over what happened in Aligarh Colony. No politician ever tried to help Muhajirs. Muhajirs are disappointed in politicians for this reason. There are serious problems in Karachi due to overpopulation. New industries should be established in Sarhad and Baluchistan to create new jobs there and stop mass migration to cities. If Punjab is our big brother then it should stay hungry for us younger brothers. Punjab has heavy responsibility now. Punjabis should go to Sind, Baluchistan and Sarhad and help the people there. We honestly believe that if the Sindhi in population continued to rise at this rate, both Sindhis and Muhajirs will become minorities. However, whenever we try to communicate this fear, we are called bigots. We have said that Lahore should be called a "mini Pakistan." It is here that the resolution to establish Pakistan was first passed and it is here where Pakistan Monument is situated. Lahore deserves this status. They should give employment to people belonging to all nationalities and provinces so that the status of "mini Pakistan" is justified.

[Question] When you mention Muhajir nationality, are not you separating yourself from other nationalities?

[Answer] We have been separated from the very beginning.

[Question] Are you planning to join a political coalition?

[Answer] We will consider a political coalition if its program resembles ours. We are planning to visit other provinces. A delegation of MQM was to travel around the country after the 31 October incident. Situation got worse after that. We welcome politicians from other provinces in Sind and believe that they will welcome us in their homes. We are trying to foster a feeling of brotherhood and unity. We have, however, noticed that even national political parties support regional politics even after making all kind of declarations about national unity. One example of this practice is Awami National Party. We can call Pakistan Peoples Party a national party to an extent.

[Question] There is not economic conflict between Muhajir and Pakhtoons in Karachi. Why do you think these groups clashed?

[Answer] This conflict was caused by the bureaucracy and the government elements in cahoots with the "drug Mafia." They manipulated Pakhtoon colonies into attacking Muhajir colonies. I have just returned from a visit to Aurangi Town area. Any person with a heart would cry on visiting this place. Who will live on a mountain from which invaders come? What can we think of the people who came to attack us from such settlements? We appeal our Pakhtoon brothers not to let drug and arm smugglers to enter their settlements. This will stop mutual misunderstandings.

[Question] What crime did the rickshaw puller commit for which his rickshaw was burned and he was killed?

[Answer] It does not matter whether one lives in Aurangi, pulls rickshaws, is rich or is poor. We mourn all deaths equally. We had strictly warned all our workers not to burn rickshaws, taxis, or any kind of vehicle. Some people have

tried to tell us that MQM is against Pakhtoons. We had appealed to have a "mourning day" in all Sind to mourn who died in the 10 December riots. Not one vehicle was burned during that day. We are working against any community; we are just asking for our rights.

[Question] Is there any other Muhajir nationality in any other part of the world?

[Answer] As I said earlier, the concept of nationality is only 70 or 80 years old. In the past, all nationalities were based on kingdoms.

[Question] Nationalities existed even before Christ. The long struggle between Peloponnesus and Athens is one example. Two nationalities fought with each other. Scholars have written a detailed history of this war. In addition the friction between Arabs and Persians also was based on nationality.

[Answer] The concept of nationality changes with time. The conflict between Arabs and Persians occurred when they lived in the same country under the same caliphate. At that time the concept of Islamic nationality emerged and the differences based on color, race and language disappeared.

[Question] the MQM is accused of getting money from abroad.

[Answer] This is not true. We neither want to break this country nor want a separate state. Why should we get money from other countries? We collect money from our followers in Sind. Perhaps, the MQM is the only organization in our country that runs entirely on membership fees. Several investigative agencies have done indepth investigation of the MQM and could not find anything objectionable. The case filed against us for treachery has also been withdrawn. Sind's chief minister, Ghaus Ali Shah, also appeared as a witness in our support. All these accusations stem from people who are afraid of MQM. When I was released, I repeatedly asked my associates to work on getting more donations for our organization. Between 8 to 10 thousand people come to see me daily. I ask them for donations. Many of my associates are still in jails and we need money to bail them out. The propaganda against MQM has been increased after the success of 8 August and 31 October public meetings. We have between 60 and 70 units in Karachi alone. They send us donations regularly.

[Question] You were invited to attend the birthday party of G.M. Sayyed, but no one attended it to represent the MQM.

[Answer] The Muhajirs were "crossing rivers of blood and fire" when this birthday party was held. People were being attacked in their own houses. How could our associates attend a birthday party at such a time? We would have attended the party if it was a peaceful time. We would have liked to discuss our viewpoint and hear theirs. He is still working within the framework of Pakistan as a country. If the president and prime minister of this country and governors and chief ministers of various provinces can still be called Pakistanis after meeting with G. M. Sayyed, so can we. We can also talk with him. In the light of our past mistakes, we have to stop labeling people demanding their rights as traitors. It is essential for our country's safety.

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